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THE WORKING MAN'S

WAY TO WEALTH;

A PRACTICAL TREATISE ON

Building Associations:

WHAT THEY ARE AND HOW TO USE THEM.

BY

EDMUND WRIGLEY.

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TABLE OF CONTENTS.

PREFACE..... v.

CHAPTER I.

INTRODUCTION.

PAGES.

Labor and Saving—Some peculiarities in the management of Saving Funds—"Runs"—The tendency of Building Associations opposite to that of Saving Funds—Their democracy—Mutuality. ORIGIN AND HISTORY OF BUILDING ASSOCIATIONS: Various laws passed in relation to them—Simplicity of the mutual plan ..... 1—9

CHAPTER II.

A GLANCE AT OTHER PLANS OF SAVING.

1. THE SAVING FUND: The good they have done—Their government and organization—They require one to save before he can spend
2. LOAN ASSOCIATIONS: Their origin, growth and management—Were not mutual—Their plan of procedure—Failure.
3. LAND ASSOCIATIONS: How they originated—Want of mutuality—Mode of operation—Want of success.....10—22

CHAPTER III.

OF THE NATURE AND OPERATIONS OF COMPOUND INTEREST.

The rate of interest varies in different countries—Simple interest—Example—Compound interest—Examples—Interest compounded, half-yearly and monthly—Examples.....22—27

CHAPTER IV.

BUILDING ASSOCIATIONS

The mutual or co-operative system—Its capital and profits—General explanation of the plan—Terminating plan—Its operation—Illustrations—Permanent plan—Serial issues of stock—Rod and Rings—Ultimate result—Objections to the terminating plan—Examples: THE TIME FOR RUNNING OUT OR WINDING UP—Example No. 1—Example No. 2—Example No. 3—Deposits in a Saving Fund compared.....28—40

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CHAPTER V.

STOCKHOLDERS.

The non-borrowing members—The advantages held out to them—Illustrations: WITHDRAWALS OF STOCK—Provision of the law of 1859—Stock not forfeited—The Board of Directors—Little danger of a "run"—Time for deliberation: THE PORTION OF PROFIT WITHDRAWN—Varies in different associations—Four examples—Remaining profit left in the association.....41—56

CHAPTER VI.

BORROWING.

LOANS MADE ON STOCK SECURITY—The nature of them: LOANS MADE ON REAL ESTATE SECURITY—The working man plainly: RENT MUST BE PAID—Living from hand to mouth—*The money paid for rent will buy a house*—What the mutual system has done—What it can do: HOW IT CAN BE DONE—Illustrations and examples—What more can be done—Another view .....51—6[illegible]

CHAPTER VII.

PAYING OFF A LOAN, OR RETURNING THE BORROWED MONEY BEFORE THE ULTIMATE RESULT IS REACHED.

How it is done—The practice is not encouraged—Paid for as a privilege: PREMIUMS—What they are—An illustration—A comparison: PAYING PREMIUMS IN MONTHLY INSTALLMENTS—Explanation—Its tendency: DISCOUNTS ON PREMIUMS—When allowed—Example: INTEREST—When charged on full amount of Loan—When on amount received—Effect of it—Annual statement of an active association.....63—77

CHAPTER VIII.

CONCLUSION.

A people's banking system—How to insure safety: SECURITY IS CONSTANTLY INCREASING—The reason—Incumbrances—The advantage of them—Example—A suggestion.....78—86

APPENDIX.

Act of Assembly of April 12th, 1859—Form of a Charter and By-Laws.....87- 108

PREFACE.

The want of some plain and concise explanation of the Mutual System of saving and borrowing money as practiced under the various laws enacted by the Legislature of Pennsylvania, authorizing the incorporation of "Saving Fund, Building and Loan Associations," has long been felt by its supporters and advocates. Appearing at a first view somewhat complicated and intricate, it is a scheme difficult to explain verbally, to those unacquainted with its workings, and ignorant of its practical results. Its plan of operation is, indeed, simple enough, but the numerous provisions and details, that surround it, tend to confuse the mind unaided by a systematic arrangement and exposition of all its parts in their proper order, in the effort to instruct others in the merits, objects and uses of the System. With a view to furnish a hand-book of easy reference to those who are anxious and willing to learn, and thus supply in a measure, the want hereinbefore expressed, the author of the following pages has attempted to lay open to view the, operation

of the laws and rules governing the Mutual System, as practiced by Building Associations in Pennsylvania. In doing so, he has endeavored to avoid as much as possible the employment of complex calculations, and an array of figures; and in lieu thereof, to convey his meaning through the medium of plain untechnical language, in order that the work may be to a greater degree within the comprehension of the humblest reader.

The knowledge desired to be imparted by means of this little book, has been obtained chiefly through a practical experience of nearly eighteen years,—a greater part of the time in an official capacity—in connexion with the organization and working out of numerous Associations based on the Mutual System, and, well convinced as the author is of the soundness of that system, and its almost inestimable value to the class of citizens for whose especial benefit it is intended, he hesitates not in saying, that if he fails in convincing others of its importance, and in causing the thoughtful workman to pause and reflect upon the resources it holds out to him, it may be attributable to the manner in which the subject is treated, but it cannot be charged to the system he has attempted to elucidate.

CHAPTER I.

INTRODUCTION.

That great and shining example of success as a working man, Benjamin Franklin, has left to the working man of the present day, in the following valuable sentiment, the key to the secret of his advancement in life:

"If any one tells you that a workman can become rich otherwise than by *labor* and *saving*, do not listen to him—he is a poisoner."

In the first place it is necessary to labor with judgment, intelligence, patience, perseverance and constancy.

In the second place it is necessary to *save*. Save what? To save both time and money. Franklin saved the wages of his toil, and purchased books; made good use of his leisure time, studied those books, and mastered their contents. Thus, by simply persevering, strictly and firmly, in this, the guiding rule of his life, he became rich in purse, and eminent in knowledge. By industry and frugality at all times and in all things, he became a master workman, a philosopher, a statesman, and a sage, and beloved and respected by all men within the bounds of civilization.

The course pursued by Franklin is open to every workman in America; the key to success is in every workman's hand—if it fails to admit him to the enjoyment of at least a reasonable competency, it is because it is rusted in the lock, for want of use.

It is unnecessary to waste words in the attempt to prove that Franklin's maxim is correct, for no one doubts or denies that it is necessary to *labor* with *diligence*, *live* with *frugality*, and *save* with *judgment*, in order that a working man may in due time 'grow rich," that is, independent of labor, as absolutely necessary to supply his wants and those of his family. We will, therefore, turn our attention to that branch of the subject comprehended within the rule that relates more particularly to the art of saving, and endeavor to point out to the working man the best, surest, most rapid, as well as one of the safest modes of saving the spare money earned at his labor.

The history of the past, both in Europe and America, shows a gradually increasing tendency on the part of the working classes, to save and accumulate money Many experiments, schemes and systems, with this object in view, have been devised and continued with more or less success, until at the present day, many ancient and wealthy savings institutions of various kinds exist in both continents, possessing vast capital, composed entirely of the accumulated savings of the working people. But although these institutions

have done and are doing a vast amount of real good among the people they are intended especially to benefit, yet there exists in their management and government a tendency to aristocracy, and the keeping down of the working classes to a certain degree below their proper intellectual and social level. In the first place, they are ruled and managed by an entirely different class of men, in whose selection as managers the working people or depositors have no voice; and in the second place, their managers take entire charge of the accumulated funds thus saved, and invest them as to them seems safest and best.

The consequence is that the working man, never having occasion to exercise any judgment in the selection of an investment, beyond the mere act of carrying his little savings to the bank, and there leaving it, a mere mechanical act, never gains any experience beyond the mere act of hoarding and accumulating in a mechanical sort of way; gains no knowledge that would enable him to manage for himself a large sum of money; and, therefore, by keeping him in ignorance of the various means of investment and accumulation, chains him to a life of mere dependence on the skill and knowledge of others in the management of his accumulated savings.

This system, therefore, while doing much positive good, does not act in unison with the spirit of the present age to the fullest extent, for while it teaches the working classes to save, it goes no

further. Its protege may, in the course of time, accumulate a considerable sum: but he knows not where to place it outside of the Saving Fund. He possesses no knowledge or experience, no confidence in his own judgment or that of others, and even fails of confidence in the Saving Fund itself at times, and adds his weight to a panic-stricken rush for his savings at a time most unpropitious to both Saving Fund and depositor. How many instances are there on record of "runs" on the Saving Funds of large cities, the result of an ignorant, senseless panic on the part of depositors?

Some years ago a German, but little acquainted with the English language, went to a Saving Fund to withdraw his deposits, but neglected to bring with him his "deposit book." The Teller asked for his book; the German did not understand him. "I want your book," said the Teller, "the Bank book." The German mistook the words, "Bank book," for "*Bank broke*," and so understanding, went away and reported the supposed information to his friends and acquaintances, also depositors in the same institution. A "run" commenced the next day on the Saving Fund, which, though meeting the demand fully on that occasion, did so at such a heavy sacrifice on its securities and investments, that it resulted some time later in the entire failure of the institution and the ruin of a large number of depositors. This is but one out of many instances, just as

careless, of runs on Banks and Saving Funds, all the result of ignorance, blind prejudice, and suspicion without foundation.

Now, it is intended in the following pages to show, by explanations and illustrations in as simple a form as possible, that the system regulating Building Associations in the State of Pennsylvania, as organized under the Act of Assembly of April 12, 1859, has a tendency directly opposite to that of the old system, hereinbefore alluded to.

1st. In that it is perfectly democratic, admitting each individual corporator or member to a full, free and unrestricted voice in the creation and management of Associations formed under it, and a constant oversight of its operations and affairs.

2d. In that it is entirely mutual and equal in distributing its benefits, giving to all its members their equal portion of all its profits and gains.

3d. In that it is much more liberal in its return of profits and gains than any other known plan of saving and accumulating from small sums of money. Having,—owing to its entirely mutual character,—no preferred class to share its profits, no heavy sinking fund to create and hold in reserve against contingencies hardly within the bounds of possibility, and no necessity for expensive banking houses and clerk hire; and

4th. In that it is the only plan by which the working man can become his own capitalist, and create a source of wealth from which he can sup-

ply all reasonable demands, without the aid or interference of the outside capitalist. In short, that it is a system "of the people, by the people, and for the people." One that, with ordinary judgment enterprise and strict integrity brought to bear in its management, cannot fail of permanent benefit and profitable results to any community or body of people adopting it, and faithfully carrying out its principles.

ORIGIN AND HISTORY OF BUILDING ASSOCIATIONS.

A passing glance at the origin and history of Mutual Building Associations may be of interest to many, and will serve to show the gradual and steady spread of the system, and the hold it has taken upon the minds of the working classes of England and America.

From a writer upon this subject, we obtain the information that the first institution of the kind was established at Kircudbright, in the south of Scotland, in 1815, under the immediate supervision of the Earl of Selkirk, a gentleman of large fortune and liberal and enlightened views, who is said to have devoted no little time and study to the perfecting of this truly noble and philanthropic scheme. They thence gradually extended into the manufacturing districts of England, then into Wales; were afterwards established in London, and soon became general throughout Great Britain, until they reached the number of two thousand and fifty societies about the year 1851,

with an annual income of *Four Million Pounds Sterling*, according to the report of the Registrar.

This system was introduced into this country about the year 1840, and has operated with great success in the cities of the North, and particularly in Philadelphia. They were established in Charleston, S. C., in 1850, and in Savannah, Ga., and other prominent Southern cities. Three Associations established in Charleston in 1850, invested, in a little over the first year of their existence, $90,000 in real estate.

The evidences of the rise and progress of these associations within the State of Pennsylvania, will appear plainly to view, on an examination of the various laws passed from time to time by our State Legislature in their behalf.

The first Associations were managed through trustees appointed by deed, giving them power to perform the duties necessary to carry out the plan. But this in time became inconvenient, and in many ways objectionable. The Legislature, therefore, on the 22d of April, 1850, passed an Act authorizing the formation of Building Associations in Philadelphia, Schuylkill and Berks counties. The term of charters granted under this Act was restricted to ten years, and the number of shares to five hundred, at a par value of $200 each, when fully paid up. By an Act passed April 12, 1851, the number of shares allowed to be issued by each Association chartered under

the former law, was increased to twenty-five hundred.

The Act of March 7, 1853, was next passed, extending the privilege of the former Act to Land Associations, giving power to them to hold and convey lands on the mutual system, but restricting the grants of land to be held by them to fifty acres, and enforcing the disposal of all lands within a period of ten years.

The Act of March 9, 1854, extended the privilege of the former Acts to Montgomery county. That of April 9, 1855, extended them to Bucks Carbon, Lancaster, Lehigh, Mifflin, and Juniata counties. That of May 7, 1855, to Lehigh, Northampton, and Dauphin counties. May 8, 1855, an Act was passed declaring that premiums paid for preference or priority of loans were not to be deemed usurious.

On the 25th of March, 1856, the right to erect these corporations was granted to York county, and, finally, on the 12th of April, 1859, the general law was passed, under which all the Building and Loan Associations of the present time are working.

This law, though still imperfect in some respects is much more complete, full, and comprehensive than any of the previous enactments.

It is, however, the illustration and explanation of the Mutual System of Building Associations, as authorized by this Act of April 12, 1859, that that this little volume claims for its object.

To the uninitiated this Mutual System appears needlessly complicated and difficult to understand; but it will be found on examination, when once understood, to be as plain as any proposition in simple arithmetic. Indeed, it seems peculiarly adapted to the wants and minds of the class of people it was originally intended to benefit, and whose interests are its sole aim and end.

A careful reading of the following pages, therefore, is asked, and an attentive study of the several propositions and illustrations of the operation and working of the system contained in them, when it is sincerely hoped the result will be to the impartial mind, a clear understanding, coupled with the conviction that the Mutual plan of saving and borrowing money possesses in every way superior advantages over all other systems and plans having for their object the assistance and advancement of the working man, who is able and willing to *labor* and *save*, on his way to "wealth."

CHAPTER II.

A GLANCE AT OTHER PLANS OF SAVING.

Before enlarging upon the merits of the Mutual System of Building Associations, it may be well to glance at other systems, provided for the accumulation of money from small savings; that, by a comparison of the one with the other, the peculiar advantages of the Mutual System may the better appear. We will therefore consider the ordinary "Saving Fund" or "Savings Bank" first, "The Loan Company" next, and close this chapter with a short explanation of the "Land Association."

I. THE SAVING FUND.

These institutions have long afforded opportunity to the saving public to gather together their spare money, and, indeed, at one time offered the only systematic plan for the working classes to accumulate little by little against the demands of the future. Vast has been the extent of good performed by them. Great has been the amount of suffering prevented, and the degree of comfort promoted through their instrumentality; and numerous the men and women who date their ad-

vancement in life from their first connection with these institutions. For through them they learned their first lessons in the art of saving; acquired frugal habits and a knowledge of the value of hard-earned money, and its proper uses, so far as this system could teach them. And it is not the object of these pages to disparage this mode of saving in the slightest degree, but rather to point out the difference between it and the Mutual System; giving some of the reasons for that difference, that the advantages peculiar to the latter may be more clearly apparent.

In the first place, the Saving Fund is not popular, or in other words, not democratic in its organization. It is not mutual in its advantages, or as liberal in its distribution of gains, as the Mutual System. The members or supporters of it are divided into different classes, and these do not share its profits equally. For example: the first or preferred class is composed of the stockholders representing the original capital, or reserve fund, while the second class is formed of the depositors or saving public, whose accumulated hoardings create the chief or great bulk of the capital which returns by investment the greater part of the profits, from which, together with the profits derived from the stock capital, dividends are paid to the first class, and with which interest is paid to the second class. Thus, while the stockholder is receiving dividends of from six to ten per cent. per annum, and some times consid-

erably more on the money invested in stock, the depositor, who helps to furnish the largest part of the working capital, and takes a fair proportion of the risk of losses, receives three, four, and seldom as high as five per cent. per annum.

The same return of interest is made by Saving Funds organized under trustees, without any stock capital. These depend entirely for capital on deposits, and create their reserved funds from the profits arising from the investment of the deposited capital, after deducting the annual expenses, and interest paid to depositors. This latter mode of organization might be thought to approach the Mutual feature, were it not for the fact that this reserved fund claims as its annual share, a very large proportion of each year's profits.

As to the mode in which these institutions are governed, the mere depositor has no voice. In the stock companies the stockholders elect the officers and directors, while the charters of the Trust companies provide for the appointment of trustees.

And by these officers the institutions are managed, moneys are received and paid out, investments made in such securities as the charters prescribe, at the discretion of the proper officer, and the depositor is seldom, if ever, informed of them, except through annual statements. The consequence is, that depositors, dissatisfied with the management of affairs, have no influence in effec-

ting a change of management, and must quietly submit or withdraw from the institution. Reckless management may prevail in an institution, but the depositor having no insight of it, knowledge of it only comes with the loss of his money.

To advance a depositing member a loan sufficient to meet wants, such as are supplied by the Building Association, is no part of the plans of an ordinary Saving Fund. It merely undertakes to safely keep money deposited with it, and return it on demand with a small interest. So that by this process one is required to save before he can spend; while by the mutual plan, he is allowed to spend the money first on giving security that he will save it afterwards.

Thus the organization of the Saving Fund differs in principle from that of the Mutual Building Association; and the smaller return of profits under their management, is the result of investments made purely with a view to safe-keeping, at a small increase.

It is a fair business operation when honestly carried out, and furnishes one of the safest means of investing money.

II. LOAN ASSOCIATIONS.

The "Loan Association" is among the things that were, it is to be hoped, forever. These institutions came into existence under the Building Association laws of 1850 and 1855, a fungus

growth, resulting from the unhealthy atmosphere that pervaded financial circles previous to the year 1857, the consequence of a great abundance of money, with a feverish desire on the part of every one, from the "merchant down to his cook," to speculate. "Shaving Shops" they were called by the people, and they were appropriately named. Everybody was willing to become either a lender or borrower, at an enormous usury, security being a secondary consideration, if the risk was well paid for.

These institutions flourished for a time, and made heavy dividends. Some did better in this respect than others. This created rivalry; the stockholders demanded large dividends of the less prosperous, or threatened withdrawal of their deposits or dues, and a transfer to other societies, apparently doing better. Every nerve was strained by their managers to meet this demand, enormous usury was charged, reaching as high as four and five per cent. a month, and seldom less than one and a half per cent. a month was paid by the willing borrowers. Securities were taken for granted; the creation of contingent funds to cover losses was neglected or postponed until it was too late to affect any result. Consequently, all the profits were consumed in paying dividends. And when at last the financial crisis of 1857 came these institutions, with many of their patrons, went under, and became total wrecks, or only saved a small per centage of their capital.

These, be it remembered, were not Building Associations, although they plausibly assumed the name and functions of the legitimate Association. They were chartered by the Courts, under the then existing Building Association Laws, but they acted entirely outside of the object and spirit of those laws. There was no mutuality in their plan of operation, no equality between borrower and lender, no ultimate result to be worked out under immutable arithmetical rules, no end gained but inflation, excitement, reckless speculation, false hopes, and final ruin. The plan of procedure was thus:—The dues were paid, at the rate of one dollar per week on each share, in place of monthly, as in the legitimate Associations, and the ultimate value of each share was put at $200, as the law then (as now) required. The fund thus accumulated from dues, fines, interest, and premiums, was loaned out weekly, by auction, to the highest bidder. A stockholder might borrow $1000, or less, for every share owned by him, and that though he had paid but the first instalment on his share, of only one dollar. He gave his bond and mortgage, or other security, and received the amount borrowed, less the premium he bid for it, of from one and a half to five per cent., for the month following, with the privilege of renewing the loan, or extending its time by a similar payment the next month, and so on from month to month, still paying the one dollar per week dues, until the

debt should be extinguished (not by the arrival of the share by the accumulation of dues and profits to a value equal in amount to the loan, as in the legitimately followed Mutual System,) but by a *re-payment of the whole loan.*

It will be seen at a glance that there was nothing in this plan of proceeding to produce the result aimed at in the Building Association. One dollar per week for two hundred weeks would produce $200, truly; and the dividend of profit on that sum, for a little less than four years, would be a mere pittance, even at the rate of fifty per cent. per annum, averaged upon each dollar from the time it was paid in, towards paying the loan. For, if we look at the result of a transaction of this kind, carried on for the space of four years, its ruinous nature will be startlingly apparent. Take a loan of $1000, at two per cent. a month (twenty-eight days composed a Loan Association's month); this would make twenty-six per cent. per annum, and in four years, at this rate, $1040 would be paid in interest or premium alone, and still the principal debt would remain to be paid, with about $250 dues and accrued dividend to pay it with. The entire absence of the mutual feature from this plan is very apparent, unless we except the mutual ruin of all concerned in it, for its chief result was a reciprocity of unmitigated disappointment, and turning up of blanks. These were the institutions that cast an odium over the legitimate sys-

tem of Building Associations, causing by their failure a great many people, in all the walks of life, to class Building Associations in the same category. The want of familiarity with both schemes naturally led to a confounding of the genuine with the spurious, causing a check in the advancement of the former, while the latter was swept out of existence.

III. THE LAND ASSOCIATION.

The Land Association was another of the various schemes originated under the laws enacted, in connection with the laws authorizing and regulating Building Associations previous to the Act of 1859; which does not appear to authorize Land Associations; and were at one time extensively patronized by the working classes as a means of gaining themselves homes. It was a scheme that did not work out well, though promising fairly; was attended with such meagre success in results to those whom it was intended ostensibly to benefit, and was so much abused, and open to so many objections and suspicions, that the people lost confidence in it, ceased to support it, and it gradually died out of existence. The scheme failed because of its want of that important feature, mutuality; because it did not equally distribute its benefits. There were two different classes in the scheme, one benefited more than the other. One class was behind the scenes "on the ground floor," composed of the

capitalists who originated the particular scheme, making large profits out of the funds contributed by the other class, composed of working men. There were also other matters that were hard to reconcile with the people's notions of just proportion and fair distribution, giving the whole thing the appearance of a lottery with many more blanks than prizes, where a prize was apparently intended to be turned up equal, at least, in value to the price paid for it.

It will be found that Land Associations were mostly set on foot by men of means, or at least financial credit, who, having selected a large tract of land, lying on the outskirts of a city or village, generally at a sufficient distance from improvements to enable them to purchase it by the acre at a figure, if considerably above farm prices, still below the price of land desirable for building lots, and available for that purpose. Having secured the land, perhaps by a small payment of cash, and a mortgage upon it for the balance of the consideration or purchase money, payable in instalments, the organization of the Association was commenced. Finely prepared maps and plans of the ground, nicely laid out, with the principal streets of the city or village continued to it, and intersecting it at right angles; the visible ends or improved terminations of these aforesaid principal streets being perhaps two or three miles off, with many a green field and hay-cock meadow and pasture intervening, yet undefiled

with the pick and spade of the cellar-digger. Each block or square of ground again laid out, and subdivided into building lots, appearing to great advantage, and striking the eye of the unthinking as a rare chance to accomplish the ownership of a plot of ground by gradual and easy payments. Now, fifty acres of land, at $1000 as the price per acre, (to suppose a case for an example,) for land lying in such a position with reference to improvements, may be fairly valued as an investment looking for its profit to the ultimate rise in the value of the ground, induced by the near approach of improvements. But when it is immediately cut up into building lots of twenty or twenty-five feet by one hundred feet, and sold at prices ranging from $100 to $400 per lot, somebody must be making money out of the innocent faith of the industrious and frugal working man who becomes a party to the scheme by taking stock in a Land Association.

HOW IT IS DONE.

A tract of fifty acres, costing $1000 per acre to the originators, would make a total of $50,000. We will assume that $10,000 is paid in cash, and that the balance, being $40,000, is secured by a mortgage of the land, to be paid by instalments, at certain stated periods, so arranged as to be suitable to the purchasers, when they will be able to pay each instalment, as it comes due, with the accumulated funds paid by the stockholders of

the future Land Association. A charter is obtained, and the stock books opened for subscribers, a sufficient number of shares having been disposed of to warrant it, an organization is effected, officers are elected, the By-Laws are enacted, and the stockholder commences paying in one dollar per week dues on each share,—the ultimate value of which is restricted to $200.

The Corporation is now ready to purchase land suitable for its purposes, a committee is appointed to examine and report, and the Association having been organized with a view to the purchase of the very land in question, a report in favor of this land follows their investigation, the terms and conditions prescribed being accepted by both parties, seller and buyer, the land is purchased at, say $200,000, and duly conveyed to the Association, who pay a small proportion of cash, on account of the consideration money, say $10,000, and give mortgages for the balance, $190,000, secured upon the land, to be paid in instalments at periods suitable to the requirements of the mortgage for $40,000 before mentioned. The scheme is now in full operation, and as the accumulated dues reach an amount sufficient to pay the instalments as they grow due upon the $190,000 mortgage, they are paid to the holders thereof, who in turn pay the instalments on the $40,000 mortgage; and this process is repeated until both mortgages are entirely liquidated. The corporation now possesses the

land, clear of debt, and proceeds to divide the same among the various stockholders. Now, if a fifty acre tract is divided up into building lots 20 feet front by 100 feet deep, there will be about twenty lots to the acre, after deducting the amount of ground necessary for streets, or one thousand lots in all, to divide among the stockholders, at an average fixed value of say $200 per lot, or a total of $200,000, of which the originators retain $150,000 as their profit on the venture; made in from four to six years, with but little risk to themselves; and the future payments on the $40,000 given by them to the original owner are more than covered by the payments made to them by the Land Association, upon the $190,000 given by them. So that these speculators are really at very little outlay, and the risk of failure is amply paid for.

And what have the stockholders to show for their money? A lot of ground, two or three miles out in the rural districts, with the taxes to pay on them for many years before they are available to build upon, with the street improvements all to be done and paid for, without the possibility of selling even at cost,—firstly, because of the great number of similar lots all suddenly forced into the market at one time; and secondly, for the reason that the stockholder has anticipated a value that it will take several years to realize.

The foregoing illustration of the workings of a

Land Association will serve to give a general idea of the scheme, and its results, and will serve to show forth the lack of the mutual feature peculiar to the Building Associations; and although different Associations may have differed in detail from the outline of facts above given, the principle running through the whole of them was similar to this, and it will be found that nine Associations out of every ten that have succeeded in running through their allotted time, have resulted in as great a failure as the imaginary one figured out above; and cattle still graze upon many acres of ground in the rural districts around the city of Philadelphia, that were sifted through Land Associations ten or fifteen years ago.

CHAPTER III.

ON THE NATURE AND OPERATIONS OF COMPOUND INTEREST.

Owing to the fact that the large profits returned from investments in Building Associations are, in a measure, the result of the monthly compounding of interest accruing from loans, it seems proper, previously to describing the theoretical construction of these Associations, to devote a few pages to a general explanation of the principles of compound interest, so that the reader may be enabled to judge of the manner in which the advantages to be derived from these institutions are attainable.

It would be foreign to the object of this work to enter into the doctrine of interest further than may be necessary to elucidate and explain the nature of building associations. We shall therefore confine ourselves to a few general outlines, and refer those desiring more extended information to treatises specially devoted to the science.

It is the custom, in all civilized countries, that one person, borrowing a sum of money from another, should pay him periodically, for its use,

a certain consideration, under the name of interest. This consideration varies in amount according to the nature of the security given for the loan, the state of public monetary affairs, and occasionally other circumstances. In order to simplify commercial transactions, and establish a standard of measurement for them, annual rates of interest have been formed, varying from two per cent. upwards, for every sum borrowed. This interest, although specified nominally as an annual rate, is payable at such regular periods as may be agreed upon, either by annual, half-yearly, or more *frequent* equal instalments, such periodical payment being, however, always proportional to the annual rate. The *highest* rate of interest that a lender may legally demand or receive for the use of his money usually varies with the commercial and political position of the country in which the transaction takes place. In New York and New Jersey this highest rate of interest is fixed at seven per cent, while in some of the younger States the rate is higher still,—until it reaches, in the territories, as high as ten and twelve per cent. In Pennsylvania, however, the legal rate of interest is fixed at six per cent. There is a provision in the act of 1859, relating to Building Associations, to the effect that no premiums, fines, or interest on such premiums shall be deemed usurious, and the same may be collected as debts of like amount are now by law collected in this commonwealth.

SIMPLE AND COMPOUND INTEREST.

In treating of the advantage derived by investing money, it is important to distinguish between simple and compound interest.

If the sums received by the lender, from time to time, on account of interest, are placed by him in similar investments, as so much new capital, it is obvious that he not only realizes interest on the sum originally lent, but also on *its interest*, thus increasing materially the advantage produced by his money, for which he is consequently said to be receiving *compound* interest. The same would be the result if the borrower, instead of actually paying the interest when it becomes due, were allowed to increase his debt thereby, with the understanding that the whole should be paid off in one sum, at the end of the time for which the loan was made; the borrower undertaking to place his creditor in the same pecuniary position as he would have been in had the installments of interest been actually paid, and themselves re-invested. If, however, instead of supposing the interest, which should have been paid from time to time to be re-productive, the borrower were only obliged to pay the sum of the periodic installments of the original amount lent, without any thing additional for their non-payment at the period when they become due,—then he is said to be paying only *simple* interest. For example suppose $100 were borrowed for five years, at the annual rate of six per cent, simple

interest, which is to be paid at the end of the fifth year, with the loan, then the amount payable at that time would be $100, and five times $6, altogether, $130.

The way *compound interest* accumulates will be seen by the following example:—Suppose A lends B $1000 for five years, at six per cent. interest, payable annually, and at the *end* of each year. At the end of the first year, A receives from B $60 for interest, which he re-invests by a further loan to B, or some other party. The sum altogether thus lent is then $1060. At the end of the second year A receives $63.60, as interest at six per cent., which he again lends out immediately, making his total investment $1123 60. At the end of the third year, the interest received upon this loan is $67.41, which being also lent out, causes the total sum invested to be $1191.01; and at the end of the fourth year the interest returned will be $71.46, or a total of $1262.42, on which, at the end of the fifth year, the interest will be $75.74, or a total of $1338.21, or $38.21 more than simple interest, thus showing how the advantage derived from these repetitions of investment increase every year.

Now, it is the practice of Building Associations, in place of compounding interest yearly, half-yearly, or quarterly, or in other words re-investing the interest as so much new capital, bearing interest every year, half year, or quarter year, to re-invest it *every month*, as so much new capital,

bearing interest, as will be seen on further investigation. The oftener the interest on a given sum is compounded in a given time, the greater will be its increase; for example, $1000, at 6 per cent. simple interest, would amount, in five years, to $1300. $1000 at yearly compound interest would amount, in five years, to $1338.21, as before shown. At half-yearly compound interest, to 1343.91\frac{6}{10}$; at quarter-yearly compound interest, for five years, to 1346.86\frac{8}{10}$; and at interest compounded monthly to 1348.83\frac{3}{10}$.

From the foregoing examples can be readily seen one of the main reasons why well-managed Building Associations are enabled, in the short space of eight or ten years, to arrive at the results promised by the scheme they adopt, to wit: the monthly re-investment of the interest received monthly as so much new capital, bearing interest.

CHAPTER IV.

BUILDING ASSOCIATIONS.

In examining into the system of "Building Associations," and in comparing the plan with other plans and systems having apparently the same objects in view, namely, saving and increasing the spare money of the working classes, it is necessary to bear in mind the mutual feature extending through all the parts of the plan regulating Building Associations; hence it may properly be called the "Mutual or Co-operative System of Saving and Borrowing Money."

A Building Association is composed entirely of one class of stockholders, and its assets or property is represented by stock. Its original capital is derived from the monthly installments or dues paid on account of each share of stock by the holder thereof, and the chief sources of profit on the investment in this stock, by means of which the Association is enabled to work out the ultimate value of $200 per share, in a given number of years, is obtained from loaning the accumulated monthly instalments of dues and profits to such of the stockholders only as may under the rules borrow the same.

These chief sources of profit consist of two items;—1st, The premium deducted from the Loan on taking it; and 2d, the interest upon the Loan, which is paid monthly during its continuance. There are also two minor sources of profit, to wit: 3d, Fines charged upon dues and interest, when in arrears; and, 4th, The profit on withdrawals of stock before the ultimate result is reached.

These four items of profit, which are largely increased by the *monthly compounding* of interest upon them, as well as upon the monthly dues as is shown in the previous chapter, are added together at the end of each year on settlement of the books, and after deducting the year's expenses, the total balance remaining is divided by the number of shares in the hands of stockholders. This shows what the profit on each share has been for the year just closed, and this added again to the dues paid in, and the profit made during previous years, shows the actual value of each share of stock at the close of any given year; and this process is repeated at the close of each year, until the accumulated dues and profits will divide to every share the sum of two hundred dollars.

The property or assets with which the Association liquidates or pays to each shareholder $200 for each share he holds, is composed of two items,—1st, The Bonds and Mortgages given by borrowers; and 2d, Cash in hand at the time the

final result is reached. The bonds and mortgages are handed to the borrowers, receipted in full, and the stockholder who has not borrowed is paid in cash, $200 for each share of stock he owns.

This is a general explanation of the plan and its results. It is proposed, in the following pages, to give a more minute and detailed representation of the system, and to follow it step by step, pausing to examine each separate part, that the process by which the final result is attained may fully appear to view on a little study and examination.

Building Associations are formed, in Pennsylvania, on two different plans,—one the *Terminating*, and the other the *permanent* plan.

In Associations on the terminating plan, (and all Associations formed under the laws existing prior to the Act of 1859 were formed on this principle,) all the stock was issued as of one date. If all the 2500 shares limited by law to an Association were not sold, or, in other words, subscribed for, and taken by members at the first meetings of the newly-formed Association those shares that were afterwards sold to new members, were required to be made equal in value with those already issued, by back payments to the amount of the then ascertained value of the stock, at the time the new member subscribed for it. If the Association had run six months, it required a back payment of six dollars a share, to

make it equal with those taken at the start. If the Association had run a year and a half,—eighteen months,—it required a payment of $12 for the first year's dues, together with the profits for the first year, on each share; and supposing this to have been $8,—this would make $20 for the first year's dues and profits, to which would be added the six dollars for the remaining six months of the eighteen that had already transpired since the Association began, or $26 a share in all; and so on all through the future existence of the Association, each year making it more costly and difficult for a new member to enter. There being but one issue of stock, of course all the shares are of equal value, at all times during the running of the Association; and when the ultimate value is reached, by reason of all the dues paid in, and all the profits on investments accumulated, being sufficient, when divided by the total number of shares issued, to give to each share $200, the Association *terminates*. It is worked out, and nothing remains to do but give each stockholder who has not borrowed his money in advance, $200 for each share he owns, and to such as have borrowed, their mortgages, cancelled and receipted in full.

To illustrate. Suppose an Association issued its full limit of stock to subscribers (2500 shares,) and were to work out to a final result in ten years (there having been no withdrawals in the mean time,) each share being then worth $200,

there would be $500,000 to divide between borrowing and non-borrowing stockholders, $300,000 of which would be composed of dues paid by all the stockholders, and the remaining $200,000 of which would be composed of profits paid by borrowing members in premiums for, and interest on their loans.

But Associations on the terminating principle do not work out as smoothly as the foregoing figures would indicate at first view, as will be explicitly shown further on.

Although the Act of 1859 does not authorize the creation of perpetual charters, as it should have done, yet it authorizes Associations chartered under it to work on the permanent principle, by allowing charters for twenty years, in place of only ten, as formerly, and giving them the privilege of issuing their stock in "successive series." And in this *serial issue* of stock consists the *permanent* feature. The total issue of stock is confined or limited to 2500 shares, as formerly, but in place of disposing of the whole in one issue, all at one date, as in the terminating plan. an Association working on the permanent plan, on starting, will sell or dispose of as many shares as is thought advisable (say 500) during the first year, and these will run their course to the final result, precisely as those issued by a terminating Association; and at the end of the first year the sum total of dues and profits is divided by the total number of shares in this first "series," and

their value is thus ascertained, whereupon a new or second "series" of stock is issued, of as many shares as it is thought advisable to sell, and payments on this second series commence only with their issue; and these in turn run the same as the first series, and at the end of the second year the sum total of dues and profits for that year are divided by the total number of shares in both series, and their value again ascertained. The stock in the first series will be found to have a value of two years' dues, ($24 per share,) to which is added the profit made, during the two years, on each share; while the stock in the second series will be worth but the amount of the one year's dues, ($12 per share,) and the one year's profits; and so on, each year producing a new series of stock, the sum total formed by dues and profits being divided at the end of each year by the total number of shares of all the series then issued (excepting, of course, such stock as may have been withdrawn and returned to the Association.)

By the time the eighth, ninth, or tenth series is issued, accordingly as the Association has been more or less successful in accumulating profits, the first series will have reached its ultimate value, and the stockholders in that series will receive $200 per share in cash, if they have not borrowed, and those who have borrowed receive their mortgages receipted in full. So that from the first to the eighth or tenth year, as the case may

be, the permanent Association issues a new series of stock every year, and after the eighth or tenth year a series is cancelled each year, on reaching its ultimate value, and a new series is issued to fill its place, to be cancelled again, in turn, eight or ten years later. The process might be likened to a rod long enough to hold ten rings, on which a ring is placed, representing the first series. At the end of the first year, another ring, representing the second series, is placed on behind the first, which is slipped along to make room for the second. At the end of the second year, a third ring is placed on the rod; at the end of the third year, a fourth ring; and so on for ten years. At the end of the tenth year, the eleventh ring is put on, which pushes the first ring (or series) off the farther end of the rod, it being capable of holding but ten rings; and every subsequent year a ring is put on at one end, and pushed off at the other end, representing the newest or last series at one end, and the oldest or fully worked out series at the other end, and the intermediate rings those series gradually approaching the ultimate value.

In the meantime, the law of 1859 gives the power and right to Associations to issue new stock in the place of that cancelled by having reached its ultimate value of $200 per share, or such as may have been cancelled and returned by members who have withdrawn before the final result is reached; provided that the total number

of shares, of all series, shall not exceed 2500 at any one time. Thus all cancelled shares fall back again into the Association, to be replaced by new issues of stock.

It will be seen that in *principle* the Association is permanent, and it is only the *membership* that terminates with the series of stock on which that membership is claimed; while on the terminating principle both the *membership* and the *Association* terminate at *one and the same time.*

It has been said that these Associations are permanent in *principle;* they are not, however, permanent in practice, as they are only allowed to be chartered for *twenty years,* at most. They consequently, after a certain number of years, are compelled, as they approach the end of the period for which they are chartered, to descend to the terminating plan, cease issuing new series of stock after the twelfth or fourteenth year of their existence, and wind up the last series on the terminating principle, or else continue on, and run their chances for a re-charter for twenty years more, with the risk of a refusal on the part of the Court to grant a re-charter.

All this is the fault of the law that authorizes the erection of these corporations, and not of the principle on which they are founded. The principle is beautiful, equitable, and perfect in all its parts, and wonderful in its peculiar adaptation to the needs and circumstances of that large and interesting class in all communities—the working

people. But through ignorance and blind prejudice on the part of some, and unpardonable stupidity on the part of others, the progress of our Associations towards perfection in their work, has been held in check to an unreasonable degree.

The chief trouble existing in the working of the terminating plan arises from the difficulty of obtaining new members, owing to the heavy back payments necessary to equalize them with the first members, after the Association has reached its third or fourth year. The same trouble applies to borrowing under the terminating plan. One wishing to borrow, say on five shares, and joining for that purpose an Association four years old, is compelled to deduct from the face of the original sum of $1000, first some $80 "back dues" and accrued profits for each share, then the premium bid for the loan, say fifteen per cent., (and the premiums always range low under this terminating plan as the Association reaches the fourth or fifth year,) and his account would stand thus:—

Four years' back dues and profits on 5 shares, at $80 per share, - - - - -	$400 00
Premium of 15 per cent., - - - - -	150 00
Available cash out of Loan, - - -	450 00
Total face of loan, - - - - -	$1000 00

And thus each subsequent year adds $12, with the year's profits, to the amount of back dues necessary to be paid to equalize a new member

with the old ones. This makes it necessary for one who wishes to purchase a house by borrowing the money to pay for it with, to take double the number of shares necessary for the same purpose under the permanent plan, and pay twice the amount of dues and interest required under that plan. For, if one could realize only $150 out of a loan on five shares, to obtain $900 he is compelled to take a loan on ten shares, making his monthly payments $20 per month, in place of $10; and although one would not pay much more money during the remaining five or six years of the Association's existence than if he had entered at the first on five shares, and had no back dues to pay, the heavy monthly payments render it difficult for working men to meet them promptly. This causes a falling off in the demand for money by borrowers. If stockholders withdraw, no new ones take their places. Large sums of money accumulate on hand, for which there is no investment; and there being but little profit to add to the monthly payments of the stockholders, it becomes necessary to offer some inducement to stockholders to take their money back without waiting for it to reach the ultimate value of $200 per share. For, if $200 is to be paid to each share not borrowed upon, and there are 1500 such shares in an Association, it will take $300,000 in cash to do it; and of course, while this sum is accumulating it cannot be loaned in the usual manner, but must at most be

invested on call, at low rates of interest, until the entire sum necessary to close out all the stock is accumulated. All these combining influences cause the terminating Associations to flagg, and take considerable more than the estimated time in running out, making a difference between the theory and practice of the principle.

But the Act of Assembly of 1859, allowing the Court of Common Pleas to grant charters for twenty years, and providing that "The stock may be issued in one or in successive series, in such amounts as the board of directors or stockholders may determine," enables Associations chartered under it to remedy the evil to a certain extent, by issuing their stock in successive series, and thus working on the permanent principle, until they approach the end of the term for which they were chartered.

This serial issue of stock may be monthly, quarterly, half-yearly, or yearly, as desired; and the oftener they are issued, of course the more readily a new member can enter, as he will have no back dues to pay at all where the series is issued monthly, and but one year's back dues at most, if the series is issued yearly. Thus, the door is always held open for new members to enter and keep up the competition for loans, there is always a demand for the money, the premiums bid average a higher rate, and the different series reach their ultimate value in a shorter period of time than in the terminating plan.

Neither is there the same trouble in paying off a series that is worked out, where the issuing of series is not placed at periods too far apart, but say monthly, quarterly, or half-yearly; for the amount of money required to cash any one series is very small in proportion to the par value of the entire capital stock; and the payments that are made in a lump by the terminating Association, are thus scattered in small amounts throughout the entire existence of the Permanent Association after its first series becomes due.

THE TIME FOR RUNNING OUT, OR WINDING UP.

The period of time consumed by any one series of stock in reaching its ultimate value of $200 per share, is regulated by the amount of profits made each year.

If no profit whatever was realized, and the dues were paid monthly, without lending them out to borrowers, of course it would take 200 months, or sixteen years and eight months to make up two hundred dollars. But this would do no one any good beyond the mere act of hoarding.

On the other hand, an Association making an average annual profit of six dollars and forty-six and two-thirteenths cents per share, will close in ten years and ten months, as near as may be, viz:

EXAMPLE NO. 1.

10 years and 10 months dues, at $1 per mo.,	$130
10 " " 10 " profits, at $6.46 2-13,	70
Ultimate value of each share, - - - -	$200

Which is equal to 10 per cent. per annum on the

amount of cash invested for the averaged time of its investment.

An Association making an average annual profit of $8 on each share, will close out in ten years exactly, as was previously stated, viz:

EXAMPLE NO. 2.

10 years' dues, at $12 per year, - - -	$120
10 years' profits, at $8 per year, - - -	80
Ultimate value per share, in 10 years, -	$200

Which is equal to 13⅓ per cent. per annum on the cash paid for the averaged time.

Thirteen dollars annual profit will close out in eight years, viz:

EXAMPLE NO. 3.

8 years' dues, at $12 per year, - - -	$ 96
8 years' averaged profits, at $13, - - -	104
Ultimate value of each share, - . -	$200

Which is equal to 27 per cent. per annum, on the cash paid, for the averaged time each dollar was invested.

Thus, $200 will be realized under the Building Association, or Mutual Plan, in from eight to eleven years, on sums of money paid or saved, one dollar at a time, month after month; while, if the whole sum of $130 (being the total sum paid on each share to a Building Association running out in ten years and ten months) was deposited in an ordinary Saving Fund, all in one amount, in place of in easy monthly payments, it would take eleven years, at four per cent. interest, to reach $200.

CHAPTER V.

STOCKHOLDERS.

Many persons join Building Associations with a view of continuing their payments until their stock shall have reached the ultimate value of $200; while others join with the especial view of borrowing. For the purposes of explanation, we will divide these into two classes.

1st. The non-borrowing class, formed of those members who do not avail themselves of the privilege of borrowing in advance the ultimate value of their shares, but continue paying their monthly dues until within from eight to eleven years, they are entitled to $200 per share, and

2nd. The Borrowing class, composed of those members who avail themselves from time to time of this privilege, and thus anticipate the ultimate value of their stock, paying a premium for the present use of it, as well as the one dollar per share interest, in addition to the regular monthly dues (as explained in the former chapter), until the ultimate result is reached and the loan is paid and cancelled by the value of the stock.

By referring to the rule given in the previous chapter for the division of profit, it will be recol-

lected that these two classes share mutually in this respect. They differ, however, in this, that while they both pay their monthly dues, the borrower in addition to this, pays a premium for his loan, and one dollar extra (or in other words, Six per-cent interest upon it) besides, and thus furnishes the chief sources of profit, that enables the Association in a greater or less time to reach the ultimate result of $200 per share.

Leaving the consideration of the advantages to be derived from borrowing under this plan to the next chapter, let us consider those belonging to

THE NON-BORROWING MEMBER

First, with regard to whom somewhat remains to be said. Those who have no present use for a large sum of money and are able to lay by say from $1 to $15 per month, by paying it monthly for a period of from eight to eleven years, realize on each share $200, and on fifteen shares $3000. To a young man or woman able to save something from wages, and anxious to provide for the future, no better or safer way, and none so profitable as this system, offers itself; and to show the truth of this assertion, let us compare the result of saving in a Building Association with that of saving in an ordinary Saving Fund or Trust Company, and for that purpose we will take as a standard of comparison the lowest average of profits named in the former chapter, (see example No. 1) namely 6.46\frac{3}{12}$, and compare

it with the four per-cent interest a Saving Fund usually allows to depositors.

It is shown by example No. 1 in the previous chapter that an Association making an average yearly profit of Six dollars and forty-six and two-thirteenths cents profit will divide to each share of stock $200 in ten years and ten months, that the total of cash actually paid in or saved during that time by the Stockholder on each share would be $130, and that the profit made on that cash would be just $70, and this, recollect, at the lowest rate of profit that a building Association with any kind of fair management is likely to reach. So that a person subscribing for five shares of stock, and saving the small sum of five dollars per month, would realize in ten years and ten months, $1000 for $650 paid in or saved; a profit of $350, while it would take nearly fourteen years to realize $1000 by depositing in monthly payments of $5, each at four per-cent. interest, in the ordinary Saving Fund, and then the amount of cash saved in fourteen years would be $840, with a profit of only $160 realized from four per-cent. interest, making up the $1000. Thus we have in favor of the mutual plan $650 to represent in total cash saved in monthly payment, with $350 profit as the result of that investment, against $840 to represent the total cash saved in the same way, and only $160 profit in favor of the investment in the ordinary Saving Fund. Over one-hundred per-cent. difference in the amount of profit in favor of

the mutual system, and this too with the use of nearly one-fourth less capital, and two years and two months less time.

Now why is it that the result of the two systems differ so, and that the profits of the mutual plan are so much greater than the other? Simply because there is no *preferred class* to step in between the working man and his money, and skim off the cream of profits.

There is food for earnest thought and study in this mutual feature; it excludes the capitalist, it enables the working man to develop and turn exclusively to his own use *all* the advantage to be gained by the judicious use of his own money; it teaches him the power that exists in the ranks of the workingman when impelled by co-operative reciprocal action, and united effort and guided by common honesty and common sense, by means of which he can work out for himself his own advancement, and at the same time feel that while he works he is gradually lifting himself step by step above the dead level of daily toil: for every furrow made by his plow, every tap on his anvil, every click of his loom, is a step in advance. Three requisites only are necessary to achieve the final result, to wit: Industry, Economy and the Mutual plan of saving. Time will accomplish the rest, and almost before he realizes the fact fully, the frugal man will find himself at least in easy circumstances.

WITHDRAWALS OF STOCK.

There is one thing further to be noticed under the head of Non-borrowing Stockholder, and that is the right to withdraw or cancel his stock at any time, by giving thirty days notice to the Board of Directors of his desire to do so. "When he or she shall be entitled to receive the amount paid in by him or her, and such portion of the profits as the By-Laws may determine, less all fines and other charges. Provided that at no time shall more than one-half of the funds in the Treasury be applicable to the demands of withdrawing Stockholders, without the consent of the Board of Directors, and that no Stockholder shall be entitled to withdraw whose stock is held in pledge for security. Upon the death of a Stockholder, his or her legal representatives shall be entitled to receive the full amount paid by him or her, and *legal interest* thereon, first deducting all charges that may be due on the stock. No fines shall be charged upon a deceased member's account from and after his or her decease, unless the legal representative of such decedent assume the future payment on the stock." (Act of 1859, Sec. 2.)

It is a popular error, that persons who join Building Associations must when once they begin, keep on paying in until the end, or forfeit and loose all the money paid. By the foregoing extract from the law it will be seen that this is not the case, but that those who are unable or

unwilling to continue, are allowed to retire from the Association, receiving all their money back (less any fine they may have incurred by neglect to pay their monthly dues promptly,) with a fair portion of the profits.

This right to withdraw is a very proper and necessary feature in this system, and it becomes more apparent when we consider the class of persons intended to be benefited by it, and their liability from sickness or loss of employment suddenly to be placed without the means of support. In place of being compelled to seek a market for their stock and sell it perhaps at a great sacrifice or hypothecate it to some devouring money lender at a high rate of interest, they are allowed to return their stock to the Association, the stock is cancelled and they receive the money they paid in, "with such portion of the profits as the By-Laws may determine."—Not such portion as the Directors may determine, but the By-Laws made by the stockholders themselves on forming the Association; and subject to such fines and charges only as the same By-Laws impose for a neglect or failure to pay their dues promptly and punctually, with the exception even in this latter case in favor of the deceased members from the time of "his or her decease."

But there is another provision of the law of great importance to this system, to wit: "That at no time shall more than one-half the funds in the Treasury be applicable to the demands of the

withdrawing stockholders, without the consent of the Board of Directors." The Board of Directors composed of men elected annually by the stockholders from among themselves, and not from a preferred class of capitalists, separated from them by wealth, station and associations entirely different, and without any sympathies in common with them; but composed of men from the same shop and work bench, from the same trade, occupation and calling as themselves; men who know their wants, because they feel those wants, who know their best interests; because they are common to all.

There is but little danger therefore of a "run" or universal demand by all or a great majority of the stockholders for their money at one time; for in the first place they are required to give thirty days notice, and then take their places in rotation on the list of withdrawing members, and await their respective turns of being paid out of the fund appropriated to their use, namely: "One-half the funds in the treasury," on each meeting night. Time is thus given to the Association to deliberately prepare itself for any extraordinary or unusual demand, and protect those who remain in the Association, as well as those who wish to retire from unnecessary loss by hasty or precipitate action. For if there was no check on the demands of withdrawing stockholders, and all the funds in hand at any one time were liable to withdrawal and one-fourth of the stockholders

of an association two years old and numbering one hundred and fifty members, owning an average of ten shares each, desired to withdraw, it would take about $10,000 to pay them off, and if all the receipts at a supposed average of $2500 a month were appropriated to pay them, it would take some four months to liquidate their claim, during all which time the remaining members would be paying in their dues and gaining no profit from making loans, for no loans could be made from which the chief profit is derived. So the advantage is divided equally between the stockholders wishing to remain, leaving half the funds to loan and invest for their profit and accommodation, and those wishing to withdraw having the other half appropriated to their wants. And herein again appears the strictly mutual feature of the system.

THE PORTION OF PROFITS WITHDRAWN.

The amount of profits a stockholder is allowed to withdraw along with his dues, is regulated as previously stated by the By-Laws, and varies in different Associations; some allow six per-cent. on the dues for the averaged time they are held in the Association, others one-eighth and others again one-tenth of the profits for each year that has elapsed since the stock was issued and the first payment made upon it. Let us give some examples of the results of these rules at the different rates of profit just mentioned, from calculations based on a supposed average yearly

of $6.46\frac{2}{13}$ per share.

on one-eighth of the profit per share is rawn with the dues, the account would thus per share.

monthly dues, at $12 per year, -	$60 00
ears profits, at $6 46 2-13 per year, - -	20 15
drawing value of each share, -	$80 15

on one-tenth of the profit, per share is al- hus:

monthly dues at $12 per year, -	$60 00
5 years profits at $6 46 2-13 per year, -	16 15
awing value of each share, - -	$76 15

on six per-cent, simple interest, is paid for erage time each dollar was deposited, thus:

monthly dues at $12 per year, - -	$60 00
nterest for averaged time, at 6 per cent. int.	9 15
awing value of each share, - -	$69 15

when four per cent. interest is paid for raged time each dollar was deposited, (as f the Saving Funds pay), supposing the to have been deposited in monthly sums.

monthly deposits, at $12 per year, -	$60 00
interest, for averaged time at 4 per cent.	6 00
lue of deposit and interest, at end of 5 yr.	$66 00

other organized and carefully guarded or plan offers itself to the working man ans of which he can save his money in mounts, and yet gain considerably more e average of cases over the legal rate of sim-

ple interest. And yet this profit is not the result of wild and reckless speculation, it is derived from safe and well considered investments, in reliable securities. This profit is paid by men who in place of being oppressed by it, derive an equal and sometimes a greater advantage from the loan they pay for, than the non-borrowing stockholder does, and who are not only glad of the chance to borrow, but thankful for it also.

Besides the portion of the profits a withdrawing member takes with him, there is also a profit that remains and is divided among the shares of stock, owned by those who continue in membership, to wit: All of the profit made over and above the portion of profits allowed a withdrawing member. The remaining profit is left in the Association to add to the profit accruing from "premiums" and "interest" on loans. For the number of shares, by which the year's profit will be divided, will be lessened by the number of shares withdrawn during the year, and the profit to those who remain will therefore be increased by the withdrawals. This acts as an inducement or premium to members to stay in and pay up steadily until the scheme is worked out, when they receive their full share of all the profits, including that portion the withdrawing members would have received had they also remained to the end.

CHAPTER VI.

BORROWING.

It has been shown that the chief or main capital of a Building Association is derived from the monthly dues paid on each share of stock; and that the sole mode of increasing it, (with the exception of the profit derived from fines, and that remaining from the withdrawals of stock,) is by means of loaning it to members who desire the use of it, and can give the required security for the repayment of it in monthly instalments; and as was previously mentioned, from these loans the two main items of profit are received, namely, "Premiums" and "Interest."

The security required for loans is of two kinds, —one the Stock of the Association, and the other Real Estate.

LOANS MADE ON STOCK.

Loans made for which the stock of the Association is pledged alone for its payment, are mostly for temporary use, to help the borrower over some tight pinch in his affairs, to be repaid when he is again in funds; and the amount of money loaned in this way is never greater than the

withdrawing value of the stock offered as security. One owning five shares of stock, five years old, on which $60 a share has been paid in dues, and to which an average profit of seven dollars a year, or $35, has been added, making the stock worth $95 per share, could borrow about $350 upon it, to start a little business with, or meet some sudden demand for more money than his ordinary income will satisfy; and when he is in funds again, he can pay it off, and assume his original position in the Association; or, on the other hand, he can keep the loan until his five shares reach the ultimate value of $200 per share, when he will find his loan paid off, and some $600 coming to him, as the balance due him on his stock, over and above what was advanced to him by way of a loan.

LOANS MADE ON REAL ESTATE.

The legitimate object of the Building Association is apparent throughout the whole system, and in every part of its structure; that object is exclusively to benefit that class of persons who may be designated under the general head of employés, embracing all persons whose wages, salaries or incomes, are certain but limited, and who are able to save but little out of their receipts, over and above the expenses of living. The capitalist needs no such aid as this system offers, for he is already in the position this system proposes to aid the man of no capital in reaching. It is too slow a process for the man

who designs to live out of the proceeds arising from rapid turning of a large or small capital. And yet, of all known plans, it is the most rapid, sure, and effectual one for the industrious man of very small means, or, in fact, no means at all, to accumulate a capital.

The object of this chapter is to show not only the manner of applying the privilege of borrowing to the purposes of saving, but to further show that it is the only way in which persons under certain circumstances can possibly save and accumulate money.

The previous chapter explains the result of mere saving by depositing monthly installments in an Association, by one who has no other expense than that necessary to his own support,—persons who, having no family to provide a home for, are not under the necessity of paying rent.

The following portion of this present chapter will show the peculiar privileges held out to the working *man of family* by the Mutual System. It will show him that without working one stroke harder than he has ever worked before, if he is an ordinarily sober and industrious man, that without increasing his income from wages one cent a year more than the usual average he has previously received from steady employment, he will be able to save, by borrowing from a Building Association.

RENT MUST BE PAID.

Every man of family, no matter how limited

his means, must provide a home for his family; and such a man, having the natural feelings of a husband, father and good citizen, will labor very hard to keep that home above him. For this home rent must be paid; and it is a well-known fact that the class of houses usually occupied by working men, pays a much larger per centage of rent on the capital invested in them than the larger, more expensive and elegant residences of those in the enjoyment of larger incomes than working men can command.

It is the case with a large majority of the working people of this, as well as other countries, that they live from hand to mouth; in other words, the end of every month and every year finds them—if, indeed, with all their little debts paid,—with nothing laid by to meet the ordinary contingencies of sickness, loss of employment, or the like; and this though a man may be industrious, sober, healthy, frugal, constantly employed, and punctually paid for his labor. The size of his family, the smallness of his wages, or some cause other than tippling and dissipation, (for there is little hope of the drinking man saving himself, let alone his money,) keeps him always at the extremity of spending his last cent. He never seems to get ahead; he is constantly in the drag. If he gets a dollar in advance to-day, some unexpected necessity puts him a dollar behind to-morrow. There is one item, however, he always manages, by the utmost effort, to keep

paid up with a tolerable degree of promptness,—this item is rent. To keep a home for his wife and little ones, everything else must give way. Little luxuries, little comforts, even necessaries, must stand aside, to enable him to meet the demand of the landlord for his rent.

THE MONEY PAID FOR RENT WILL BUY A HOUSE.

If, then, the closely driven man will labor so hard, and suffer so much to meet the landlord's claims, would he not work harder, and suffer more, to meet his payments if he himself were the landlord, and the money he paid was not departing to return no more, and without leaving him an equivalent for it, but was gradually buying his house and paying for it? Would he not work with greater satisfaction, being able all the while to count the day when, with but ordinary success, he would own his home, in a great part free from debt? There can be but one answer to these questions.

It is chiefly owing to this Mutual System of Building Associations that thousands of working men in the city of Philadelphia alone (not to mention other parts of the State of Pennsylvania,) today own and occupy their own houses, and possess others besides, from which they receive handsome little incomes in rents. Numerous instances can be pointed out, of mechanics and laboring men who have worked all their lives at their callings as journeymen and day laborers, and raised

large families of children, and who are to-day worth from $10,000 to $20,000, all made and saved through Building Associations. The course is clear and certain. "What man has done, man can do again." Keep in mind the words of the wise man, "If any one tells you that the working man can become rich otherwise than by *labor* and *saving*, do not listen to him, he is a poisoner."

HOW IT CAN BE DONE.

A tenant, renting a house at $15 per month, will pay to his landlord $180 per year, or $1800 in ten years, while the same money, paid to a Building Association, will buy the same house, (or at least a greater part of it,) within a period of from eight to ten years. Now, if a hard-pressed working man can save nothing more than this item of rent out of the entire proceeds of his labor, is it not better to do so than not to attempt to save at all? Is it not better than to absolutely throw it away forever, by paying it as rent? But let us examine this matter a little more closely.

A house renting for $15 per month, such as is usually occupied by working men, will sell for about $1500. Nearly all the houses in the city of Philadelphia, both large and small, have an encumbrance upon them, either a Ground Rent or mortgage, of at least one-third their value. One reason for this exists in the fact that buyers prefer to purchase subject to an encumbrance;

firstly, because it takes less ready cash to make the purchase, and secondly, because if the house is rented, it pays the purchaser a better per centage on the investment than if purchased clear of all encumbrances by an outlay of the entire cash value of the house. For, if one purchase an unincumbered house at $1500, renting for $180 per year, this would give him just twelve per cent. on the investment of $1500; while, if he purchased for $1000 cash, subject to a ground rent of $30, or a mortgage of $500, the yearly interest of which would be $30, he would realize fifteen per cent. on the $1000 invested, after deducting the interest on the incumbrance, in place of twelve per cent. if he purchased clear,—just $30 a year in favor of an encumbered property. Now, to proceed with the illustration: take, for example, a dwelling that can be purchased for $1500, subject to a ground rent of $30 per year, (the principal of which would be just $500,) or a mortgage of $500, the interest of which would be the same as the ground rent ($30). The price being $1500, and the incumbrance $500, of course it would take $1000 cash to pay for it. By means of the Building Association, the purchase money can be raised, thus: The purchaser, if not already a member, owning stock, subscribes to a sufficient number of shares to enable him to make up the sum of money necessary to complete the purchase, after deducting the premium he bids for it. If he has been a frugal

man before this, he may have accumulated a little money by saving. It is not often an Association will loan one enough to pay down the entire cash sum required; they require a slight margin above their loan, as an earnest of good faith and intention on the part of the borrower, to perform his part of the bargain. This margin it is necessary for the borrower to make up himself; though, it might be observed here, that even this rule is sometimes relaxed, when the borrower is evidently getting a bargain, and is well known as an honest, industrious, sober and capable workman, through a kindly feeling on the part of his fellow members, to give him the benefit of every advantage consistent with safety to the Association.

The amount of money realized in actual cash will, of course, be regulated by the premium bid for the money at the auction sale of it at the meeting. If he borrows upon six shares, he will be entitled to a loan of $1200, with the premium off. If the premium should reach twenty-five per cent. or a total of $300, he would realize $900, or $100 short of the price of his house. If he bids thirty per cent., and the loan is granted him at that premium, he will realize $840, or $160 short of the price of his house; and so on. So that whatever is the amount of difference between the sum thus realized from the loan and the purchase money of the house, this difference

must be made up out of the borrower's own pocket, in some way.

We will suppose, however, that one is able to get his loan at twenty-five per cent. premium off. There would therefore be deducted from the par value of each share $50, leaving $150, or $900 on six shares. To this he adds his own $100, and pays for the house, secures the Association's loan by a mortgage on the house for $1200, (subject to the prior encumbrance,) to secure his future monthly payment of $12 each, or $2 per share, becomes the owner of his former tenement, and his own landlord; and as such, let us see how his yearly account would stand:—

Yearly ground rent or interest, - -	$ 30 00
Taxes, etc., (about,) - - - -	20 00
Yearly total of monthly dues and interest to the Association, at $12, - - - -	144 00
Yearly interest on $100 advanced by himself	6 00
Total yearly expenses as owner, - -	$200 00
Former rent as tenant, - - - -	180 00
Yearly difference between his two positions,	$ 20 00

So that the house actually costs him, to clear it of the Association's mortgage, just $300 more in ten years than he would pay as tenant.

By this illustration it is shown that by paying $20 more per year for from eight to eleven years, as purchaser, than was paid as tenant, he becomes the owner of the house, with money that formerly was sunk forever in paying rent.

The foregoing example supposes the case of a closely driven working man of industry and energy. Those who can earn better wages can form an example to suit their several cases, using the foregoing figures and those that follow, as a starting point on which to base their calculations for a larger operation.

But let us follow this closely driven working man still further. In from eight to ten years, as shown in a former chapter, these monthly payments of $12 to the Association cease, the loan is cancelled and satisfied by the value of the stock upon which the loan was made. The borrower is therefore owner of the house, clear of that debt. He now has $144 a year free from any imperative demand. He has learned the art of saving; it is now no trouble to do so. He is able to take twelve shares in the Association, and pay the dues with his now released $12 a month, and thus become one of the non-borrowing class of stockholders previously mentioned, and in eight or ten years he has $2,400 in cash. In the meantime, his little property has increased in value, probably to $2,000, by reason of surrounding improvements and advanced prices.

Or, to take another view of it, let us suppose that in place of becoming a non-borrowing stockholder, he again becomes a borrower. Seeing a house similar to the one he owns, in price, size, etc., he buys it, borrows the money in the same way, and rents it to some industrious working

man, who will not believe that a Building Association is anything but a snare and a humbug, and therefore persists in being a tenant all his days. To simplify the illustration, suppose he rents it for $15 a month, or $180 a year. It will therefore be but $20 a year short of the annual sum necessary to keep the interest, dues, and taxes paid up, and this difference can be supplied from his $144, now free. This operation can be repeated as often as his thrift, energy, and enterprise, patience, and perseverance will enable him to see the propitious moment, and seize the opportunity. There is no saying to what degree of ultimate success such a course, faithfully and persistently carried out on the part of any future operator, would finally lead to; but we can point to many hundreds of working men, as living examples of the truth of all that is figured in the foregoing imaginary case. And lest it might be inferred that these examples are overdrawn by too zealous an advocate of the system, it may be well to state that there are numerous instances on record, where purchases have thus been made with money borrowed as shown above, the rent from which not only kept the dues, interest, taxes and all other expenses fully paid up, but in addition returned the owner a considerable sum as a clear yearly profit during the entire running of the loan; resulting, in effect, in the owner actually getting his house clear on the running out of the stock, it having been paid for by

the tenant, with his rent, and leaving him considerable cash besides. And all this without in the least infringing upon the rights and interests of the particular Association, or any single member of it.

CHAPTER VII.

PAYING OFF A LOAN OR RETURNING THE BORROWED MONEY BEFORE THE ULTIMATE RESULT IS REACHED.

As has been shown, a member who has not borrowed can withdraw at any time by giving thirty days' notice, subject to the proviso restricting one-half of the funds in the treasury, to that purpose. So also can a member who has borrowed, to use the language of the law: "Repay his loan at any time" (without any special notice), "and in case of the repayment thereof before the expiration of the eighth year after the organization of the corporation, there shall be refunded to such borrower one-eighth of the premium paid, for every year of the said eight years then unexpired."

Under this rule, first the dues will be refunded to the stockholder, with the proportion of profits allowed according to the By-Laws of the particular Association he may be connected with, as was hereinbefore explained under the head of "withdrawals." Secondly. There will be refunded to him one-eighth of the premium he paid

on taking his loan for each of the "eight years. then unexpired," since the organization of the Association, or the issue of the particular series of stock on which the loan was made. The sum ascertained to be the total amount of dues and profits the stockholder is entitled to, and the sum ascertained to be to the total amount of premium to be returned to him, are then added together, and the sum thus obtained will be deducted from the amount of the whole face of the loan, and the balance remaining will show the amount of cash required to pay off the loan. For instance, suppose one had borrowed the sum of $1000, on five shares of stock, at 25 per cent. premium off, and the series of stock on which the loan had been made was four years old at the time of withdrawing it, to aid in paying off the loan. If the Association allowed one-tenth of the profits on withdrawing, he would be entitled to four years dues and one-tenth of the profits for each of the four years past. Supposing the yearly profits to have been at the average rate of $6.46 per share, his dues would stand as follows:

Four years dues on each share at $12 per year,	$48 00
Four-tenths of four years profits, at $6.46 pr. yr.	10 32
Withdrawing value of each share, - -	$58 32
Multiplied by five shares, - - -	5
	$291 60

In the second place, having paid twenty-five per cent. premium for the loan of $1000, or $250 off

there would be deducted from this premium, one-eighth of it for each of the eight years yet unexpired. In this case (the loan being four years old) there would be four years unexpired, which would make $\frac{4}{8}$ or $\frac{1}{2}$ of the premium to be deducted leaving $125 to add to the dues and profits returned, making together the sum of $416.60, which deducted from the sum of $1000, leaves $583.40 cash necessary to pay off the loan, viz:

Five shares, dues and profits returned, -	$291 60
4-8 or $\frac{1}{2}$ of $350 returned, - - -	125 00
Cash necessary to pay off loan, - -	583 40
Full amount of original loan, - -	$1000 00

The foregoing statement is intended to show the operation of the rule for paying off loans at any time before the regular closing out or winding up of the series of stock on which the loan was originally obtained; or in other words, before its ultimate value of $200 per share is reached. It will be ascertained by calculation, that in most cases in repaying loans in this way, the borrower will pay at the rate of more than six per cent. interest on the actual cash received by him for the time it is employed. The practice of thus paying off loans is not encouraged by the policy of the "Mutual System," it is by staying in and holding on to the loan and working through the series until the ultimate value of $200 is reached, that the profits and losses are equalized, and the advantages gained, which reduce the premium, and interest paid on a loan, to an equality with

a transaction made in the ordinary way at six per cent. interest.

It must be kept in view that this "Mutual System," was originated by working men for the benefit of working men, to enable them to save in small sums as their wages are received. So that while they invest these small sums, they can at once begin to receive the benefit of an equal portion of *all the profits* on the sum invested, by lending it to their fellow members, and not have to await the slow and profitless process of accumulating a large sum before finding an investment for it. It is a system requiring a certain period of time, certain combinations, and the united and harmonious action of its members to work out its results, and it is very apparent that to withdraw one's money or pay back a loan before the ultimate results is attained in a certain measure, disturbs the even flow of the scheme, and therefore it is not desired, and is required to be paid for as a privilege, by the withdrawing stockholder and repaying borrower. And a borrower seldom repays a loan before it runs out its full course, unless circumstances warrant it; such as the sale of his house at an advance over what he paid for it, sufficient to pay him well for the loss on his loan, or the near approach of the final payments reduce the balance due to a mere nominal sum, that is of little moment compared to the satisfaction of wiping out the debt at once, and thus anticipating by some months, perhaps,

the last payment of the monthly dues and interest.

PREMIUMS.

The Premium is a bonus charged to a stockholder wishing to borrow, for the privilege of anticipating the ultimate value of his stock, by obtaining the immediate use of the money his stock will be worth at the winding up, namely $200 per share. He is thus enabled to buy a house and pay for it at once, with the borrowed money, and enter right into the ownership, and occupancy of it, in place of waiting eight or ten years for his money to reach an amount sufficient to entitle him to do so, and in addition be paying rent for the house he occupies until that result is reached. The obligation he gives to the Association is nominally for the repayment of the loan, but particularly for the payment of the *monthly dues* on the stock and *legal interest* on the loan until the Association is able to divide to each share of stock held by the members, the sum of two hundred dollars, and when this result is reached, as the Association would owe a borrower on five shares of stock $1000, and the borrower would also owe the Association $1000, one debt cancels the other, and the loan is paid off, and the house that was held as security for the loan, is released.

This premium, however, is a great stumbling block in the way of many to a clear view of the peculiar advantage contained in the "Mutual System." "The system may be good enough,"

they say, "but we cannot see how any one can borrow to advantage at such a heavy discount." Now it is not pretended that the higher the premium, the greater is the advantage to the individual borrower; there doubtless is a limit beyond which it is not wise to go, and as to that, every borrower must judge for himself what that limit is, and regulate his bidding accordingly. Let us compare the results of borrowing at both low and high rates of premium.

It has been previously stated as a guiding rule, that the time required for a series of stock to run out, or reach its ultimate value of $200 per share, is regulated by the amount of profit divided to each share of stock at the end of each year. (See examples 1, 2 and 3, Chap. IV). That an Association dividing 6.46\frac{2}{13}$ per share each year will expire in ten years and ten months; one dividing $8 per share each year, will run out in ten years; and one dividing $13 per year will reach its ultimate value in eight years. It is plainly shown, then, that the larger the premium paid for loans, the larger the profit will be, and the larger the profit, the sooner the stock will reach the ultimate value of $200. So that when one looses by a high premium (when the premiums mostly average a high figure, as where the stock is issued in series), he gains by the less number of years he is required to pay dues and interest; and again, what he gains by a low premium (when premiums are always at a low average as in Asso-

ciations with but one issue of stock), he looses by the greater number of years he is required to pay his dues and interest.

There is two years and ten months or thirty-four months difference between the longest and shortest period given in this volume, for the winding up or running out of a series of stock. So that a non-borrowing stockholder would pay some $34 more dues and a borrower, twice that sum in dues and interest on each share, during the running of the longest period For example, suppose one borrows from an Association that by reasons of its large premiums is able to wind up in eight years, a loan on five shares of $1000, at forty per cent. premium, he would realize $600 in cash, and thereafter pay ten dollars per month dues and interest, or $120 per year for eight years, at the end of that time he will have paid $960; just $360 more than he received and the debt is paid. If one borrows $600 in the regular way, at six per cent., simple interest, for eight years, the interest for that time will amount to $288, which added to the loan, makes $888 principal and interest against $960 paid in the same time to the Building Association, which latter payment is only nine dollars a year, or seventy-two dollars in eight years in excess of legal interest, a very small sum compared with the privilege it aids one to obtain. Now suppose he were to borrow the same amount ($1000 on five shares) from an Association which by reason of its

smaller profits, is unable to run out in less than ten years and ten months, and were to pay only twenty per cent. premium, he would therefore realize $800 in cash, with the premium off, and would of course pay the same amount of dues and interest, $10 a month, or $120 a year, and in ten years and ten months he would pay just $1300 or $500 more than he received. Now let us apply the six per cent. rule to this case also. If $800 were borrowed for ten years and ten months, at six per cent. interest, the interest paid for the whole time would amount to $520, making $1320 principal and interest, or $20 more than would be paid to the Association in the same length of time, so that the loan from the Association would be actually twenty dollars less than legal interest for the time it is held. It will be seen from the foregoing figures taken from examples of every day occurrence, that the objection to premiums, and the charge of oppressive usury, so often preferred against this system, fade away into nothingness on examination, and fair comparison, and even in cases where a loan results in the payment of a sum slightly in excess of legal interest at the end of the transaction, this excess is a mere atom in comparison to the advantage gained by the borrower, by means of which he gains a position to be reached by the workingman in no other way.

PAYING PREMIUMS IN MONTHLY INSTALLMENTS.

In some Associations organized of late years, it is the rule not to deduct the premium from the face of the loan, on paying the borrower his money, but to require him to pay it in monthly installments. In some cases it is a premium charged on each share, and in others a per centage on the amount of money borrowed.

In the first instance, the premium charged is from fifty cents up to one and two dollars per share, as the competition is greater or less and is paid monthly during the running of the loan, in addition to the monthly dues and interest of $1 per share each.

In the latter case the premium is a per centage on the amount borrowed, and is divided up into monthly installments, and is thus paid with the dues and interest until the full amount of premium bid is finally paid, when the monthly installments of the premium cease and the dues and interest continue until the winding up of the transaction.

This plan of paying premiums monthly, seems to meet with the opposition of many well versed in the theory and practice of the mutual system. There is not room, however, within the limits of this work to enter fully into its merits or discuss its objections.

It certainly has advantages and objections, as well as its advocates and opponents. Its chief advantages seems to exist in the fact that it gives

the borrower all the money in hand at once. But at the same time it increases his monthly payments by the addition of the monthly proportion of the premium to the dues and interest paid monthly, and thus, while he pays, in most cases under this plan, a much larger premium, he pays it in monthly installments.

The chief objection urged against this plan seems to be, that it has a tendency to induce wild and reckless bidding by the thoughtless and those ignorant of its effect. The result is that premiums under this rule often reach rates as high as fifty and sixty per cent., making the monthly payment, a burthen, not felt at first, perhaps, but which in time becomes oppressive to the workingman whose income is limited. Though, it is urged again on the other hand, that where large premiums are the rule, the Association will terminate sooner by reason of its large profits, and that while a borrower pays larger monthly installments, he really pays no more money in the end, owing to the sooner termination of his payments, than he would under the rule that deducts the premium at once from the face of the loan on granting it. This theory is correct, and a reference to examples No. 1, 2 and 3, in the fourth chapter, will prove that the time required in reaching the ultimate result is regulated entirely by the amount of profits made during that time. But the practical effect of this plan, it is thought, will be found to be more burthensome to the

borrower, than the old one; it also multiplies and complicates the accounts of the Association, and is a departure from that simplicity so necessary to the clear understanding and proper working of the mutual system. However, it is a new idea, —at least in Pennsylvania—and should be fairly tested.

DISCOUNTS ON PREMIUMS.

A Discount is allowed, or in other words, a deduction is made on the premium bid for a loan under the following circumstances:—

Where a member has simply paid dues on a certain series of stock, without borrowing for one or more years, and then borrows, an allowance of ten per cent. is made upon the premium bid (the rate it is believed most usual) for each year that has expired since the series of stock on which he borrows was issued.

For instance, were he to borrow on a series of stock any time during the running of the second year of its existence, say at thirty per cent., he would be allowed a deduction at ten per cent. off the premium, thus reducing the premium to twenty-seven per cent. If the stock is in its third year, twenty per cent. will be deducted, reducing the premium to twenty-four per cent. If it is in its sixth year, $\frac{5}{10}$ or fifty per cent. will be deducted, reducing the premium to fifteen per cent.

This is manifestly a just and reasonable pro-

vision, as it would be unfair to charge one as much premium for the use of money borrowed in the second, third or fifth year of a series as is charged one borrowing during the first year, and who would thus have the use of the money during the entire running of the series.

INTEREST.

The interest charged on the loan is never more than the legal rate (six per cent.,) on the face of the loan, and in some Associations interest is only charged upon the amount of money received by the borrower after the premium is deducted, and interest is calculated upon the amount remaining due, monthly, thereafter. This last provision is opposite in its results, upon the working out of the time of the payments, to that of paying the premium in installments; for it prolongs the time of these payments, as it reduces the annual profit of the investment. For every month, as the payment of dues is made, and the amount still remaining due is thereby reduced, of course, the monthly interest gradually grows less, there is consequently a less amount of interest to be compounded. Therefore, what is gained by small payment is lost by the greater number of months payments must continue, to reach the final result.

It would seem then that the mode of deducting premiums on granting the loans and charging interest on their full face, in addition to being the simplest and least compli-

cated way, more easily understood and requiring loss calculation to effect it, also seems to strike nearer the happy medium, and divides and distributes the burthen of repayment, more equally as regards both time and money.

NOTE.

On the two next following pages will be found the last annual statement of an active and successful Building Association of several years standing, issuing its stock in yearly series. A careful study of the various items set forth in it will show the working out in every day practice of the Mutual system, as explained in the preceding pages. The first series is shown to have reached its "ultimate value" of $200 per share, while the Ninth Series is but one year old.

The object in giving this Annual Statement is to show that the calculations and illustrations hereinbefore given, are based on actual experience, and not on vague theories

Tenth Annual Statement of a Building Association,

ASSETS.

Balance of Loans (Bonds and Mortgages) at last Report, . .	$14,500 00	
Loans made during the year, .	40,200 00	
	84,700 00	
Loans paid off during the year, .	9,300 00	
Present balance of Loans (Bonds & Mortgages)		$75,400 00
Balance of Cash in the Treasury, . .		2,238 24
		$77,638 24

LOSSES.

Total Expenses, for the year . . .	$319 10
NET GAIN FOR THE YEAR ENDING JAN. 31, 1869	17,681 54
	$18,000 64

AMOUNT PAID IN ON EACH SERIES,

Amount paid on Shares of the First Series,	$124 00
" " " Second "	112 00
" " " Third "	100 00
" " " Fourth "	88 00
" " " Fifth "	61 00
" " " Sixth "	40 00
" " " Seventh "	36 00
" " " Eighth "	18 00
" " " Ninth "	12 00
Number of Shares in First Series	15
" " Second "	11
" " Third "	2
" " Fourth "	40
" " Fifth "	205
" " Sixth "	88
" " Seventh "	212
" " Eighth "	614
" " Ninth "	527
	1714
Total value of Stock, of all series	$77,723 84
Add dues paid in advance during the year,	167 69
	$77,891 53

(In active operation,) for the year ending January 31, 1869.

LIABILITIES.

Balance of Dues at last Report,	$40,663 26	
Net gain on Stock at last Report	7,107 81	
	47,771 07	
Dues paid in during the year,	22,305 17	
	70,076 24	
Dues withdrawn during the year,	10,611 54	
Total present balance of Dues,		$59,464 70
Total of Dues paid in advance,		492 00
NET GAIN FOR THE YEAR ENDING JAN. 31, 1869		17,681 54
		$77,638 24

GAINS.

Profits on Withdrawals,	$1,568 32
Interest on Loans,	3,666 00
Fines,	229 14
Premiums on Loans,	12,537 18
	$18,000 64

GAIN ON EACH SERIES, AND FULL VALUE.

Gain in ten years and four months,		$76 00	Full value,		$200 00
" nine " "		64 40	"		176 40
" eight " "		53 58	"		153 58
" seven " "		40 49	"		128 49
" five " "		26 88	"		90 88
" three " "		21 88	"		61 88
" three " "		20 99	"		56 99
" one year and six months		13 61	"		31 61
" one year		10 31	"		22 31
Total value,	$3,000 00	Loans,			
"	1,940 40	"			6
"	307 16	"			
"	5,139 60	"			22
"	18,630 40	"			46
"	5,445 44	"			16½
"	12,081 83	"			56
"	19,408 54	"			81½
"	11,757 37	"			146
	77,710 70				377
Profits not divided,	13 05				
	$77,723 84				

Total Balance of Dues	$59,464 70
Net Gain,	17,681 54
Dues Unpaid during the year,	745 29
	$77,891 53

CHAPTER VIII.

CONCLUSION.

The rules for governing a Building Association, it will readily be perceived, preserve strict equality, as far as attainable under present enactments. They are, in fact, perfectly Democratic; and the benefits and results are, as has hereinbefore been asserted, entirely mutual. There is no separate class, and no difference in the advantages gained by one member over those acquired by any other member. Under this system, the working man becomes his own capitalist, combining the small means of many men into one large sum, which, by rapid, profitable, and safe investment, returns a gain that under other plans goes into the hands of the capitalist. It is the principle of co-operation applied to money. It is a people's Banking System; the money forming its capital is furnished by the working man, who does not want the immediate use of it, to the working man who wants the temporary use of it, and is willing to pay a reasonable bonus for it, giving security for its safe return. There is no place or occasion for the capitalist in any part of the system; for if a man of large means becomes

a member, taking a large number of shares, he can receive no more profit on each share than the humblest member can. He enters on an equal footing, and remains so throughout It is plain that the scheme would not work if the stock was held by a few. It requires a liberal number of members, and the distribution of the stock in small amounts among them.

It has been remarked that a Building Association is governed on principles of strict equality. The stockholders elect their own officers, choosing from among their numbers such as they desire shall be the managers of their affairs, from time to time. The fourth section of the Act of 1859 provides that "The numbers, titles, functions, and compensation of the officers of any corporation created by this Act, their terms of office, the time of their elections, as well as the qualifications of electors, and the ratio and manner of voting, and the periodical meetings of the said corporation, shall be determined by the By-Laws." Thus giving to the stockholders full control over their officers, holding them in complete check the while, with the ability to call them to account at any time. It only remains, therefore, for the stockholder to exercise ordinary care and discretion in selecting honest and capable men, and diligence in watching their management, to secure one of the safest and most reliable means of investing his savings, as well as the quickest and most desirable way of reaching the desired result.

The officers thus chosen conduct the affairs of the Association during the year, and report all their doings at the annual meeting of stockholders, with the amount of assets on hand, the profits and losses made during the year, the money received from dues, interest, premiums and fines, and the money paid out for loans, withdrawals of dues, and for expenses; all of which is carefully examined and verified by a Committee, composed of stockholders who are not officers, and reported to the stockholders' meeting. The officers of the Association who handle the money, —the Secretary and Treasurer,—are required to give security for its safe keeping, in an amount sufficient to cover what is likely to be in their hands at any one time. Thus, all the parts of the system are held in constant and complete check.

SECURITY IS CONSTANTLY INCREASING.

Another evidence of the peculiar strength of the system, and the security of its loans, exists in the fact that the margins on its securities,—that is, the value of the property mortgaged, over and above the loan upon it,—is constantly increasing; for the payment of dues is, in effect, a payment on account of the money borrowed, and by each monthly payment of dues the amount of the various loans is decreased, and the value of the securities, over and above the loan, correspondingly increased. So that by this process the Association is constantly strengthening itself; and

what was good security at first, thus becomes stronger and better every month. The expenses of carrying on the work of a Building Association, such as salaries, room-rent, stationery, and advertizing, are comparatively light,— perhaps $400 per year would cover all the items of the annual expense account of most Associations. The report of one Association in Philadelphia, for the year ending January 31st, 1869, with an issue of 1714 shares, the total of nine series, shows a net gain for the year, of $17,681.54, after deducting $319.10 for the year's expenses.

It will be noticed that in the example given in a former chapter, of the manner of borrowing upon a house and lot, the greater part of the money with which to pay for it, there was mention made of a prior estate or incumbrance, (a ground rent or mortgage, as the case might be,) which takes precedence of the mortgage to the Building Association. It has been found best for those purchasing a house through this means, to allow such prior incumbrance to remain against the property, for this reason,—if one were to purchase a house at $2000, entirely clear of all prior incumbrances, to raise enough money from the Association to pay for it, would require a subscription to nearly double the number of shares required to purchase one with a small incumbrance upon it, entailing upon the borrower the payment of nearly double the amount of monthly dues and interest; and this, the ordinary income

of a working man would not admit of. For instance, to purchase a house clear of incumbrances at $2000, supposing one had $350 to piece out the price of the house with, it would require $1650 from the Association to make the price of the house in full. Now, to obtain that sum, supposing we could obtain it at twenty-five per cent. premium off, would require him to take eleven shares, thus:—

11 shares, at $200 each,	$2200
25 per cent. premium off,	550
Net amount received from loan,	$1650
Add amount already in hand,	$350
Price of house,	$2000

He would then have to pay yearly as follows:

Monthly dues and interest, at 22 per month, for one year,	$264
Yearly taxes (about,)	40
Yearly interest on his own $350,	21
Yearly expenses, in place of rent,	$325

If one is able, by reason of a sufficient income, to make payments as heavy as this, it would be wise to purchase in this way, and borrow the greater part of the price paid at once, for what is paid to the Association is saved, while the interest paid on a prior incumbrance is lost, as it were, for it goes the same way that rent does, never to make any return; and when, at last, the loan is paid off, the house is clear, and we have the sum of $264 above the two items of $40 and $21 per year free to do as we will with it.

But one is not always so fortunate as to get his money at 25 per cent., but must pay more for it; in which case his ready money must be correspondingly increased to an amount sufficient to make up the difference between what his loan nets him, with the premium off, and the price of his house. As was before remarked, this is difficult for most working men to do; and even if they could raise the ready money, $325 per year is more than most working men are able to pay. Hence, the slower and less pressing way of taking a house subject to an incumbrance, and paying a smaller yearly sum, is more frequently adopted than the mode last above mentioned.

It is but necessary to apply the changes, the foregoing figures, as well as those scattered through the pages of this book are capable of, to the circumstances of any individual desirous of enjoying the privileges of this system,—multiplying them in proportion to his means of meeting the payments demanded, to enable any one to tell how far he can go, as a borrowing or non-borrowing stockholder of a Building Association.

He will see how much a loan made at a certain premium off, will net him; consequently, how much his cash thus obtained falls short of the price of the house he wishes to purchase, and therefore, how much he will have to raise independently of the Association; and the number of shares he is required to take to make up the desired sum. This will show him what his monthly

payments will be, at $2 per share; and by watching the average rate of profits reported every year, he can tell what length of time it will in all probability take him to pay off his loan, if he has one, or realize $200 for each share of stock in cash, if he is not a borrower.

The object of this book, as its title indicates, is simply to present in a familiar way before the working man and woman anxious for the information, the principal features of the mutual or co-operative system, as applied to the purposes of saving, borrowing, and repaying borrowed money, through the medium of Building Associations, working under the Act of 1859, and to show the peculiar advantages derived from its use, together with the reasons for them.

Although the system, as at present carried out, as well as the Act of Assembly of 1859, authorizing it, are to a certain extent defective in some minor points and details, nothing more towards their correction than a passing hint or suggestion is attempted. The explanation of the system as *at present carried out* in daily practice being its chief object, this book goes forth as an *informer*, and not as a *reformer*, except in so far as the knowledge it imparts shall enable its readers to see, upon a better understanding of the system, wherein the mischief lies, and through this means enable them to apply the remedy. "As yet, but a few persons of sound mathematical knowledge or experience in calculations have given attention

to the subject," says a writer on the system as practiced in England, "and societies hitherto formed (in England) have been deprived of that basis of science and just reasoning which alone can ensure the prosperity of this or any similar kind of speculation." These remarks apply with equal force to our American Associations, and it would undoubtedly be of lasting benefit to the system and all Associations working under it, if a commission of scientific men, competent in all respects to perform the duty, were employed, under the auspices of the various Associations, and at their joint expense, to give the system a thorough examination and study in all its parts, pick out such flaws as may exist in present practice, and, as it were, remodel the system, and report upon a plan for universal adoption, containing all the improved features that will best harmonize with each other, and work out the best and most equitable results, at the same time aiming at the greatest simplicity; so that thereafter one Association would be but a counterpart of another. A plan thus formed, composed of all the best improvements on the system would be bereft of all the various conflicting and confusing plans and so-called improvements now so prevalent; and being the recommendation of men of known scientific attainments, integrity, and social standing, it would draw towards it the respectful attention and confidence of all classes, and build up a system for universal adoption among the

Tenth Annual Statement of a Building Association,

ASSETS.

Balance of Loans (Bonds and Mortgages) at last Report, . .	$14,500 00	
Loans made during the year, .	40,200 00	
	84,700 00	
Loans paid off during the year, .	9,300 00	
Present balance of Loans (Bonds & Mortgages)		$75,400 00
Balance of Cash in the Treasury, . .		2,238 24
		$77,638 24

LOSSES.

Total Expenses, for the year . . .	$319 10
NET GAIN FOR THE YEAR ENDING JAN. 31, 1869	17,681 54
	$18,000 64

AMOUNT PAID IN ON EACH SERIES,

Amount paid on Shares of the First Series,	$124 00
" " " Second "	112 00
" " " Third "	100 00
" " " Fourth "	88 00
" " " Fifth "	61 00
" " " Sixth "	40 00
" " " Seventh "	36 00
" " " Eighth "	18 00
" " " Ninth "	12 00
Number of Shares in First Series	15
" " Second "	11
" " Third "	2
" " Fourth "	40
" " Fifth "	205
" " Sixth "	88
" " Seventh "	212
" " Eighth "	614
" " Ninth "	527
	1714
Total value of Stock, of all series	$77,723 84
Add dues paid in advance during the year,	167 69
	$77,891 53

(In active operation,) for the year ending January 31, 1869.

LIABILITIES.

Balance of Dues at last Report,	$40,663 26	
Net gain on Stock at last Report	7,107 81	
	47,771 07	
Dues paid in during the year,	22,305 17	
	70,076 24	
Dues withdrawn during the year,	10,611 54	
Total present balance of Dues,		$59,464 70
Total of Dues paid in advance,		492 00
NET GAIN FOR THE YEAR ENDING JAN. 31, 1869		17,681 54
		$77,638 24

GAINS.

Profits on Withdrawals,	$1,568 32
Interest on Loans,	3,666 00
Fines,	229 14
Premiums on Loans,	12,537 18
	$18,000 64

GAIN ON EACH SERIES, AND FULL VALUE.

Gain in ten years and four months,		$76 00	Full value,		$200 00
" nine " "		64 40	"		176 40
" eight " "		58 58	"		153 58
" seven " "		40 49	"		128 49
" five " "		26 88	"		90 88
" three " "		21 88	"		61 88
" three " "		20 99	"		56 99
" one year and six months		13 61	"		31 61
" one year		10 31	"		22 31
Total value,	$3,000 00	Loans,			
"	1,940 40	"			6
"	307 16	"			
"	5,139 60	"			22
"	18,630 40	"			46
"	5,445 44	"			16½
"	12,081 83	"			56
"	19,408 54	"			81½
"	11,757 37	"			146
	77,710 70				377
Profits not divided,	13 05				
	$77,723 84				

Total Balance of Dues	$59,464 70
Net Gain,	17,681 54
Dues Unpaid during the year,	745 29
	$77,891 53

than Two thousand Five hundred shares, of Two hundred dollars each, the installments on which stock are to be paid at such time and place as the By-Law shall appoint; no periodical payment to be made exceeding Two dollars on each share, every share of stock shall be subject to a lien for the payment of unpaid installments and other charges incurred thereon, under the provisions of the charter and By-Law, and the By-Law may prescribe the form and manner of enforcing such lien. New shares of stock may be issued in lieu of the shares withdrawn or forfeited, the stock may be issued in one or in successive series, in such amount as the Board of Directors or the stockholders may determine, and any stockholder wishing to withdraw from the said corporation, shall have power to do so, by giving thirty day's notice of his or her intention to withdraw, when he or she shall be entitled to receive the amount paid in by him or her, and such proportion of the profits as the By-Laws may determine, less all fines and other charges: *Provided*, that at no time shall more than one-half of the funds in the treasury of the corporation be applicable to the demands of withdrawing stockholders, without the consent of the Board of Directors, and that no stockholder shall be entitled to withdraw, whose stock is held in pledge for security. Upon the death of a stockholder, his or her legal representative shall be entitled to receive the full amount paid in by him or her, and legal interest thereon, first deducting all charges that may be due on the stock; no fines shall be charged to a deceased member's account from and after his or her decease unless the legal representatives of such decedent assume the future payments on the stock.

Unpaid installments to be a lien.

Withdrawal of Stockholders

Rights of personal representatives.

Sec. 3. The number, titles, functions and compensation of the Officers of any corporation created by virtue of this act, their terms of office, the times of their elections, as well as the qualifications of electors, and the ratio and manner of voting, and the periodical meetings of the said corporation, shall be determined by the By-Laws. Officers

Sec. 4. The said Officers shall hold stated meetings, at which the money in the treasury, if over Two hundred dollars, shall be offered for loan in open meeting, and the stockholder who shall bid the highest premium for the preference or priority of loan, shall be entitled to receive a loan of Two hundred dollars or more for each share of stock held by such stockholder: *Provided* that a stockholder may borrow such fractional part of Two hundred dollars as the By-Laws may provide, and good and ample security shall be given by the borrower to secure the repayment of the loan. In case the borrower shall neglect to offer security, or shall offer security that is not approved by the Board of Directors by such time as the By-Law may prescribe, he or she shall be charged with one month's interest, together with any expenses incurred, and the money shall be resold at the next stated meeting. In case of non-payment of installments or interest by borrowing stockholders for the space of six months, payment of principal and interest without deducting the premium paid or interest thereon, may be enforced by proceeding on their securities according to law. Disposal of the Funds. Loans to stockholders

Sec. 5. A borrower may repay a loan at any time, and in case of the repayment thereof before the expiration of the eighth year after the organization of the corporation, there shall be refunded to such borrower one-eighth of the premium paid, for every year of Repayment of Loans.

the said eight years then unexpired; and in case of recovery of loans by process of law, when the amount collected by or distributed to the said corporation, shall exceed the amount of loan taken by the borrower, with interest and charges, the money shall be re-loaned at the next stated meeting, and the excess recovered beyond the amount required to pay the loan, with interest and charges, shall be returned to the borrower from whom the money was collected, or his or her legal representatives; *Provided*, that in case the said corporation shall have issued its stock in series, such re-loan shall be made only to the stockholders of the same series: *and Provided* that, if the premium offered for the re-loan shall be greater than that originally given by the defaulting borrower, the amount of the original premium only shall be paid over by the said corporation; *and Provided*, that such defaulting borrower may at any time after the said reloaning demand from said corporation the amount required to be paid to a stockholder withdrawing his stock, saving the excepting, however, to the said corporation, the right to retain so much or the whole thereof, as may be requisite to save it from loss, in case the amount recovered shall not suffice to pay the re-loan.

Proceedings on recovery by legal process

Sec. 6. No premiums, fines or interest on such premiums, that may accrue to the said corporation, according to the provisions of this act, shall be deemed usurious; and the same may be collected as debts of like amount are now by law collected in this Commonwealth.

Premiums, fines and interest to be recoverable.

Sec. 7. No corporation or association created under this act, shall cease or expire from neglect on the part of the corporations to elect Officers at the time mentioned in their charter or By-Laws; and all Officers

Corporation not to be dissolved by

selected by such corporation, shall hold their offices until their successors are duly elected. omission to elect officers

Sec. 8. The charters of incorporation heretofore granted by the Courts of Common Pleas of the several Counties of the Commonwealth, to Mutual Saving Fund, Loan, Land and Building Associations, under the authority of the act of April, 1850, entitled A Supplement to an act, entitled An act, to prevent waste in certain cases within this Commonwealth, passed the 29th day of March, 1822, to Land and Building Associations, giving the Court of Susquehannah County jurisdiction in a certain case; relative to the service of process in certain cases; to party walls in West Philadelphia; to the proof of a certain will; to the sale and purchase of certain Burial grounds in Philadelphia; to the laying of gas pipe in the District of Moyamensing; to the release of a certain sureties in Erie County; to the State Lunatic hospital; relative to the service of process against Sheriffs; to the rights of married women; to ground rents; and relating to Foreign Insurance Companies, and its supplements, are hereby declared to be legal and valid. And it is hereby declared that the true intent and meaning of the said acts was to authorize the incorporation of Companies or Associations with power to loan or advance to the stockholders thereof the moneys accumulated from time to time, and to secure the repayment of such moneys, and the performance of the other conditions upon which said loans were made, by bond and mortgage or other security, as well as with power to purchase or erect houses, for the benefit of their stockholders, and that the premiums taken by the said Associations, for the preference or priority of such loans, should not be deemed usurious: *Provided*, that Former charters to be valid

nothing herein contained shall be construed to effect cases adjudicated under the said acts, or shall be applied to or construed to affect any cause or suit now brought, or that may be pending in any Court in this Commonwealth; nor shall any suit be permitted to be discontinued and renewed, so as to come within the provisions of this act: *and Provided further*, that in case of non-payment of installments or interest, by borrowing stockholders, for six months, payment of principal and interest, without deducting the premium paid or interest thereon, may be enforced by proceeding on their securities according to law; and the amount collected shall be applied as directed by Section five of this act, unless the charter or By-Laws of said corporation otherwise provide.

Pending suits not to be effected.

Sec. 9. Any Savings Fund, Loan or Building Association incorporated by or under this or any other act or acts of Assembly of this Commonwealth, is hereby authorized and empowered, to purchase at any sheriff's or other Judicial sale, or at any other sale, public or private, any real estate upon which such Association may have or hold any mortgage, judgment, lien or other incumbrance, or ground rent, or in which said Association may have an interest; and the real estate so purchased, or any other that such Association may hold or be entitled to at the passage of this act, to sell, convey, lease or mortgage at pleasure, to any person or persons whatsoever; and all sales of real estate heretofore made by such Associations, to any person or persons not members of the Association so selling; are hereby confirmed and made valid.

Power to hold real and personal property.

Sec. 10. All Mortgages heretofore given to Mutual Saving Fund, Loan and Building Associations, by their

Mortgages

corporate names, before they obtained their charters from the proper Courts, be and the same are hereby declared good and valid, to all intents and purposes, as though they had been made after the said charters were obtained. already given to be valid.

The following is the form of a Charter and By-Laws adopted by an active Association, and used for many years. It is still in active operation, and working under them very successfully.

PREAMBLE.

WHEREAS, the undersigned have formed themselves into an Association for their mutual benefit, by saving periodically a portion of their earnings, and profitably investing the same, thereby enabling them to purchase or build their own houses; and for the furtherance of this object, do desire to form a mutual Saving Fund, Loan or Building Association, and to acquire and enjoy the powers and immunities of a corporatton or body politic in law, agreeably to the Act of Assembly of this Commonwealth, approved the twelfth day of April, Anno Domini, one thousand eight hundred and fifty-nine, entitled "An Act to confer on certain Associations of the citizens of this Commonwealth, the powers and immunities of Corporations and bodies politic in law, and to confirm charters heretofore granted," and agreeably to such other Acts of Assembly of this Commonwealth as have been in such case made and provided. Now therefore the undersigned, citizens of the Commonwealth of Pennsylvania, do most respectfully petition the Honorable the Court of Common Pleas for the city and county of Philadelphia, for a decree of incorporation according to law under the following Constitution:

ARTICLE I.

TITLE, OBJECT AND POWERS.

This Corporation shall be known by the name, style and title of the ————, and shall have such object, and exercise such powers, and such only, as are conferred by the Act of Assembly of the Commonwealth of Pennsylvania, approved the twelfth day of April, Anno Domini one thousand eight hundred and fifty-nine, entitled "An act to confer on certain associations of the citizens of this Commonwealth the powers and immunities of corporations and bodies politic in law, and to confirm charters heretofore granted," with such powers and privileges as the adoption and use of a common or corporate seal, as usually and lawfully belong to such corporations. The individuals hereinafter named shall have succession, and the powers hereby conferred shall continue to be enjoyed by this Corporation for the period of twenty years and no longer.

ARTICLE II.

STOCK AND WITHDRAWALS.

The number of shares of stock of this Corporation, the manner of issuing the same, and of receiving payment therefor, shall be as set forth in Section second of the said Act of Assembly, approved the twelfth day of April, A. D. 1859. Any Stockholder desiring to withdraw from this Corporation, shall have power so to do upon the terms and in compliance with the conditions, directions, and provisions of the said second section of the said Act of Assembly.

ARTICLE III.

OFFICERS.

The numbers, titles, functions, and compensations of the officers of this Corporation, their terms of office, the times of their elections, as well as the qualifications of

electors, and the ratio and manner of voting, and the periodical meetings of said Corporation, shall be determined by the By-laws; which the Stockholders shall have power to make in accordance with the Constitution and laws of the United States, and of the State of Pennsylvania.

ARTICLE IV.

MEETINGS AND LOANS.

The officers of this Corporation shall hold stated meetings, at which the money in the treasury of the Corporation shall be offered for loan upon the conditions, and according to the directions and provisions of Section 4, of said Act of Assembly, approved April 12th, A. D. 1859. And such loans may be repaid by the borrower, or recovered by the Corporation in the manner set forth in Section 5 of said Act.

ARTICLE V.

OTHER POWERS AND LIABILITIES.

As to the imposition of fines and the collection of premiums, as to the liability of the Corporation to expire by the failure or neglect of the Stockholders to choose officers at the time mentioned by the By-laws; and as to its power to purchase and hold real and personal estate, this Corporation shall be subject to and governed by the directions and provisions of Section 6, 7, and 9 of the said Act of Assembly, approved April 12th, A. D. 1859.

(Here follow the names of the corporators.)

BE IT REMEMBERED, That at a Court of Common Pleas held at Philadelphia, in and for the City and County of Philadelphia, on the —— day of ——, in the year of our Lord one thousand eight hundred and sixty —, the foregoing instrument of writing was presented to the Court, and the Court having examined the same, did, on motion

of ——, Esquire, order and direct that the same be filed in the office of the Prothonotary of the said Court, and that notice thereof be published as directed by law. And now, to wit: this — day of ——, in the year of our Lord, one thousand eight hundred and sixty —, due proof having been exhibited of such publication, and the objects articles and conditions in the said instrument of writing contained appearing to be lawful and not injurious to the community, and no cause having been shown to the contrary, the said Court do decree and declare, that H. C., W. W. W., E. W., J. B. S., J. G. D., C. C., F. R. H., J. K., E. R. C. W. E. F., S. V. L., G. McV., and L. K., and their associates and successors, shall according to the articles and conditions in the said instrument of writing set forth and contained, become and be a Corporation or body politic in law and fact, under the name, style and title of "—— ASSOCIATION," and by such name shall have continuance and succession for twenty years next ensuing, and the said Court direct that the said instrument or charter of incorporation shall be recorded in the office for Recording Deeds, &c., in and for the City and County of Philadelphia.

Certified from the records of said court, this thirteenth day of January, in the year of our Lord, one thousand eight hundred and sixty —, witness my hand and the seal of the said Court. T. O. W.,

Pro. Prothonotary.

Recorded in the office for Recording Deeds, &c., for the City and County of Philadelphia, in Miscellaneous Book —, page —, &c.

Witness my hand and seal of office, this —th day of ——, A. D. 186—.

L. R. B.,

Recorder of Deeds, &c.

BY-LAWS.

ARTICLE I.

MEETINGS.

SECTION 1, Stated annual meetings of the Stockholders shall be held on the —— Monday of —— in each and every year, for the general transaction of the affairs of this Corporation, at which time the Board of Directors shall submit a report of their proceedings for the previous year, and a statement of the condition of the Association.

SECTION 2. Stated monthly meetings of the Board of Directors shall be held on the —— Monday of each month for the purpose of receiving the monthly dues, interest and fines, and to loan the funds of this Corporation, as well as for such other business as may be necessary.

These monthly stated meetings of the Directors shall be open for the admission of Stockholders, and the minutes of the proceedings of the Board of Directors for the inspection of the same.

The stated monthly meetings shall be held at such place as the directors may appoint, between the hours of 7 and 9 o'clock, P. M., from October to April, both months inclusive, and from May to September at 7½ o'clock, P. M.

SECTION 3. Special meetings of the Stockholders shall be convened by the Secretary, at the written request of ten members, stating the time, place and object of such meeting, provided, that no business shall be transacted except that for which the meeting was called.

SECTION 4. Notice of the annual and special meetings of the Stockholders shall be published by the Secretary not less than twice in at least two of the daily papers of the city of Philadelphia; and nine or more members shall constitute a quorum for meetings of Stockholders, and five or more members for meetings of the Board of Directors.

ARTICLE II.

VOTES.

All elections shall be by ballot, and each Stockholder or trustee, personally present at any election shall be entitled to one vote in his own right, and no more: *Provided*, the stock shall have stood in the name of the party voting at least ten days previous.

But any Stockholder or trustee who shall be in arrears to the Association, shall not be entitled to such vote until all arrears are paid.

ARTICLE III.

DUES.

Each Stockholder or trustee, for each and every share of stock held by him, her, or them in this Corporation, shall pay into the treasury, in lawful money at each and every stated meeting of the Board of Directors, the monthly contribution or sum of one dollar, until each share of the series of stock upon which such monthly payments shall be made, shall reach a value of two hundred dollars, when he, she or they shall be paid two hundred dollars for each share of the particular series owned by him, her or them, so maturing, and the stock shall revert to this Corporation. The payment of dues, on a series of stock, shall commence at the date of the issue of the same.

ARTICLE IV.

OFFICERS.

SECTION 1. The officers of this Association shall be a President, Treasurer, Secretary, Solicitor, and nine Directors, all of whom must be Stockholders. They shall be elected by the Stockholders at their annual meeting in ———, and shall continue in office and perform their respective duties until their successors be duly appointed.

The Board of Directors shall have full power to adopt and use a common or corporate seal, and the same to alter or renew.

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SECTION 2. The nine Directors, together with the President, Treasurer and Secretary, shall form a Board of Directors, for the transaction and management of the affairs of the Corporation. They shall have full power and authority to adopt all rules and regulations which may be necessary to the discharge of their duties, and for the government of the Board, not inconsistent with the Constitution or these By-Laws.

SECTION 3. The President, (or in his absence, a President pro tem., appointed by the Board,) shall preside at all meetings of the Stockholders, and of the Board of Directors, sign all certificates of stock, and all orders upon the Treasurer, for the payment or appropriation of moneys ordered by the Board, and shall perform all other duties appertaining to his office.

SECTION 4. The Treasurer shall receive all moneys as soon as paid into the Association, and give his receipt for the same to the Secretary, and pay all orders of the Board signed by the President, and attested by the Secretary. He shall have charge of all deeds, bonds, mortgages, contracts, or other securities belonging to this Corporation, and shall keep a correct account of all moneys received and paid out, in a book to be provided for that purpose, which shall at all times be subject to the call and inspection of the Board of Directors. He shall make a report of the transactions of the month, as well as the actual state of the finances of the Association, at each stated meeting. He shall give satisfactory security for the faithful performance of his duties, in an amount not less than fifteen hundred dollars; and at the expiration of his term of service he shall deliver over to his successor in office, within two weeks after the election of his successor, all moneys, books and papers of this Corporation in his possession

SECTION 5. The Secretary shall keep correct minutes of the proceedings of the Stockholders and of the Board

of Directors, attest certificates of stock and all orders drawn upon the Treasurer for the payment or appropriation of moneys ordered by the Board, and shall notify the Directors of all stated or special meetings of the Board. He shall keep the accounts and all necessary books and papers of this Corporation, except those in charge of the Treasurer, and shall deliver the same at the end of his term to his successor in office, within two weeks after the election of such successor. He shall be prepared at all meetings of the Board of Directors to give correct information of the financial and other condition of the Corporation; and shall perform all other duties required by the Constitution, or By-Laws, or the rules and regulations of the Board of Directors, and shall receive for his services such compensation as may be agreed upon by the Association.

SECTION 6. The Solicitor shall examine all title papers, and procure the necessary searches for property offered to this Corporation as security for money loaned or otherwise, and certify the result of the same in writing. He shall prepare all bonds, mortgages, agreements and other writings of a legal nature, to be given, or taken by this Corporation; and shall be entitled to receive from the party liable for the same, the usual and customary compensation. All disputes as to the amount of his charges and disbursements shall be settled by the Board of Directors.

SECTION 7. The Directors, President, Treasurer, Secretary and Solicitor shall be nominated at the stated meeting of the Directors in ——, and elected by the Stockholders at their stated meeting on the third Monday in ——; in each and every year; and shall continue in office until their successors are appointed, without compensation, except the Secretary and Solicitor, as hereinbefore provided. In case of vacancy by death, resignation or otherwise, the Board of Directors shall fill such vacancy.

ARTICLE V.

STOCK AND STOCKHOLDERS.

SECTION 1. The number of shares of this Corporation shall not exceed twenty-five hundred, and shall be issued in yearly, half yearly, quarter yearly, or monthly series at the option of the Board of Directors.

SECTION 2. Each share of stock shall entitle the holder to a loan of two hundred dollars or any fractional part thereof.

SECTION 3. Each member shall be entitled to a Certificate of stock, designating the number of his shares, and which shall be issued in the name and under the seal of this Corporation, signed by the President and attested by the Secretary, which certificate shall be transferable by assignment in person or by attorney in presence of the Secretary. Each certificate of stock shall be conspicuously marked with the number of the series it represents and the date of its issue.

SECTION 4. The Board of Directors shall have power to dispose of stock at such rate as they may deem advisable; but in no case under the assessed value, and in the event of any shares being withdrawn or forfeited the Board may again dispose of such shares.

SECTION 5. Stockholders shall be not less than twenty one years of age. Trustees may hold stock for minors. Each Stockholder or Trustee on receiving his certificate of stock, shall be considered as obligating himself to pay punctually his monthly dues, interest and fines, and in all respects to comply with the requisitions of the Constitution and By-Laws and the rules and regulations of the Board of Directors.

SECTION 6. Holders of certificates authorized to be so issued shall be members of the Association, enjoying the rights and privileges thereof, and participating in all the profits and losses or the same, *pro-rata*, from the date of the certificate.

ARTICLE VI.

LOANS.

SECTION 1. The funds of this Corporation as they accumulate in the Treasury shall be offered and loaned by the Board of Directors to the best bidder among the Stockholders entitled to borrow the same.

SECTION 2. The successful bidder may take a loan for one or more shares at the same premium, not exceeding the amount on hand subject to loans, nor take at any one bid more than fifteen loans or shares. He shall at the same time submit a full description of his property offered as security, with the estimated value and income, and such other information as shall be required; and at the time of receiving the amount loaned, shall pay any premium offered for the same, and shall secure the repayment of said loan with legal interest, by satisfactory bond or mortgage upon real estate in the city of Philadelphia, and for every loan of two hundred dollars he shall, in addition thereto, transfer one share of stock to the Corporation as collateral security, together with the policy of insurance when upon improved property; and the interest on all loans taken by Stockholders shall be paid monthly from the time of bidding for the same.

SECTION 3. When the shares of stock (of any series) upon which a loan shall have been granted, shall reach the matured value of two hundred dollars each, the amount of the value of such stock shall be credited to the account of the borrower owning the same; when the loan shall be declared to be fully paid and satisfied, and the stock shall be cancelled and revert to this Corporation.

SECTION 4. The funds of the Corporation may be loaned to any Stockholder, to an amount not exceeding the sum actually paid in on each and every share of stock held by him, her or them, and which loan shall be se-

cured by a transfer of the stock to the Corporation as collateral security.

SECTION 5. In case the funds of the Association should not be called for by any Stockholder, and should remain unproductive for the space of one month, it shall become the duty of the Board of Directors to make such an investment of the same as shall be in their opinion safest and most to the interest of the Association, provided however, that no such investment shall be made without the consent of at least two-thirds of the whole Board of Directors.

SECTION 6. All bidding shall be as of the current year of the Association, and a reduction of ten per cent. shall be made in the premium bid for each year the series has run in which the loan is made.

ARTICLE VII.

FINES AND PENALTIES.

SECTION 1. Each and every Stockholder or Trustee who shall neglect or refuse to pay his monthly dues or interest as often as the same shall become due and payable, shall forfeit and pay the additional sum of ten cents monthly, on each and every dollar due by him.

Any Stockholder who shall fail to give satisfactory security within one month, for money loaned upon his bid, shall be fined one dollar for each and every share loaned upon, and charged with all expenses incurred on account thereof; and if the interest on a loan shall at any time continue to be in arrears, and unpaid for the space of six months, the Board may order legal proceedings to be instituted for the recovery of the principal and interest.

SECTION 3. The Secretary for non-attendance at the meetings of the Board of Directors, or any meeting of the Stockholders, shall be fined one dollar, and for any other neglect of duty, such sums, not exceeding five dollars, as the Board of Directors may impose; all which fines shall

be added to the monthly dues, and be subject to the same penalties for non-payment thereof; provided that the Board may remit such fines if incurred by sickness, or satisfactory reasons other than neglect.

ARTICLE VIII.

FORFEITURES.

If any Stockholder or Trustee shall continue to neglect or refuse to pay his, her, or their monthly dues and fines, for the space of six months, his, her, or their share or shares of stock may be declared forfeited by the Board of Directors, when the same shall revert to the Association; after deducting all fines the defaulting stockholder shall be entitled to receive any balance of his, her, or their monthly payments, and shall from thenceforth cease to be a member of this Association.

ARTICLE IX.

WITHDRAWALS.

SECTION 1. Any Stockholder who has not received a loan may withdraw from this Association, by giving notice to the Board of Directors, when they shall be entitled to receive the amount of monthly dues actually paid in on his or her shares, together with one-tenth of the net profits thereon accrued since the date of the issue thereof: *Provided*, that at no time shall more than one-half of the funds in the treasury of the Association be applicable to the demands of withdrawing Stockholders, without the consent of the Board of Directors.

SECTION 2. A borrower may repay his loan at any time, and in case of the re-payment thereof before the expiration of the eighth year after the organization of the Corporation, or the issuing of the particular series of stock upon which the loan was made, there shall be refunded to such borrower, one-eighth of the premium paid for every year of said eight years then unexpired, and the stock on which the loan was made, or the stock

of any other series, shall at the option of the particular stockholder be received in whole or part payment thereof at its withdrawal valuation, agreeably to the first section of this article. Or the stock of the Association, of any series, will be taken for the payment of loans in its own or any other series at its last annual full assessed value, without any calculation, allowance, or return of premium being made; and in all cases, whether upon stock loaned or otherwise, he may withdraw one or more shares, and continue entitled to the privilege of a Stockholder for other shares in his possession and not withdrawn.

ARTICLE X.

TRANSFERS.

SECTION 1. Shares on which loans have been made upon real estate security, may be transferred subject to the rights of the Corporation, in the following manner: 1st. When the assignee is the purchaser of the mortgaged premises, the shares may be transferred to him on assuming the obligations of the assignor, when he may become a member of the Association. 2d. The purchaser of the shares may substitute other property satisfactory to the Board of Directors as security for the money loaned, when the first mortgage shall be discharged and cancelled. 3d. The mortgagor, by paying the amount of the money loaned, as provided in Art. IX., with all interest due, may receive back his shares so as to transfer the same.

SECTION 2. Shares on which stock loans have been made may be transferred, subject to the rights of the Corporation, or on payment of the amount loaned, as provided in Art. IX., and all interest due, the holder may receive back his shares so as to transfer the same.

SECTION 3. On the arrival of any minor or minors holding shares, to the age of twenty-one years, the trustee may transfer to him or her, his or her share or shares of

stock in his or her own name, and they shall thereupon be entitled to all the privileges of stockholders.

ARTICLE XI.

AUDITORS.

At a stated meeting of the Board of Directors held in —— of each and every year, the President shall appoint three Auditors, to be selected from the Stockholder, not officers of the Corporation, whose duty it shall be to audit the accounts of the Corporation and assess the value of the shares, and report the same to the Stockholders at their next annual meeting in —— following, with a statement of the transactions for the year, and the actual financial condition of the Association.

ARTICLE XII.

BY-LAWS.

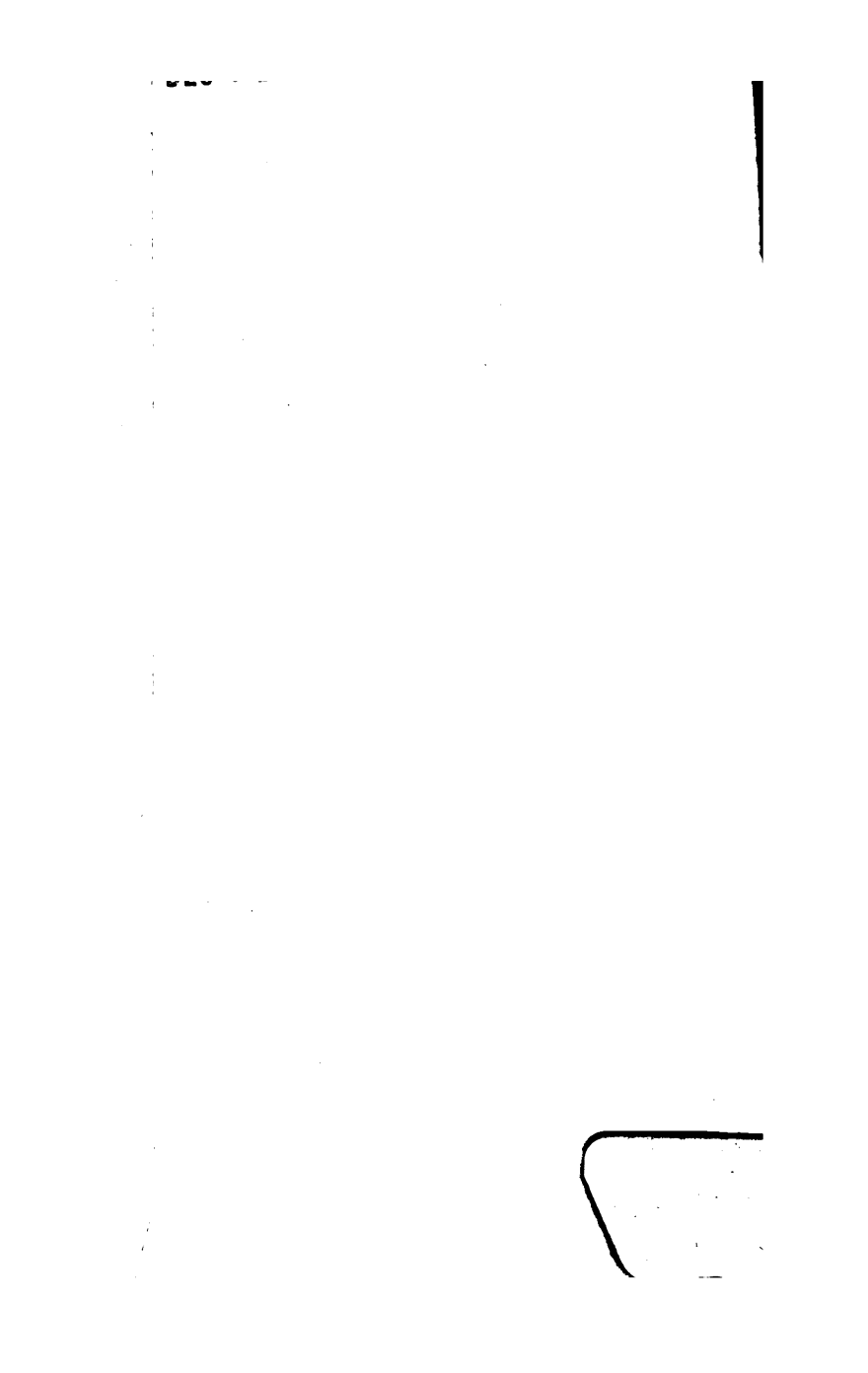
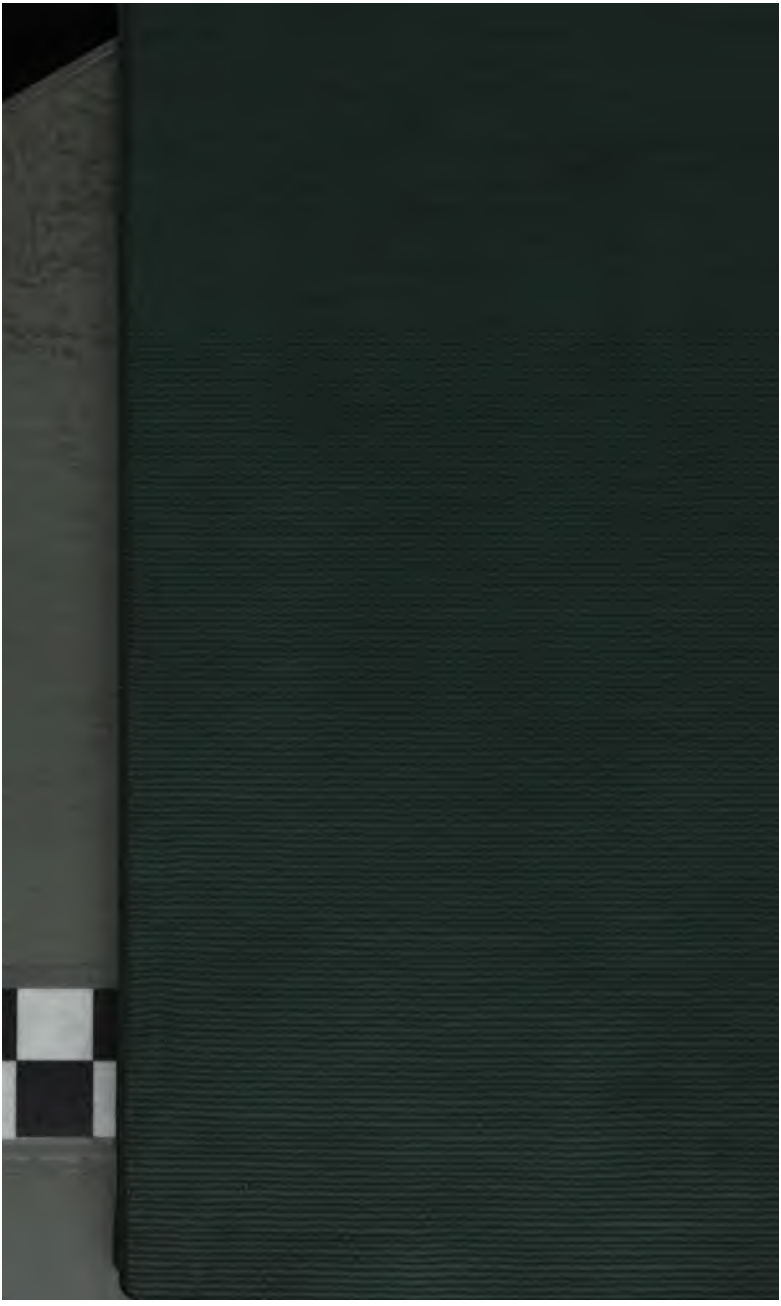
The By-Laws of this Corporation may be altered or amended at an annual or special meeting of the Stockholders, and only by a vote of at least two-thirds of the members present. Provided the amendment or alteration shall have been submitted in writing and entered on the minutes one month previous to action thereon.

ARTICLE XIII.

DECEASED MEMBERS.

Upon the death of a Stockholder, his or her legal representatives shall be entitled to receive the full amount paid in by him or her, and legal interest thereon, first deducting all charges that may be due on the same. No fines shall be charged to a deceased member's account from or after his or her decease, unless the legal representatives of such decedent assume the future payments on such stock.

ARTICLE XIV.

PURCHASE OF REAL ESTATE.

The Board of Directors are hereby authorized to empower any person or persons to purchase, at any judicial sale, any real estate upon which the Association may have a mortgage or judgment, if in their opinion the interest of the Association should require it. They shall also have full power and authority to sell, dispose of and convey any property thus purchased.